FINANCIAL

White Drug, 37-unit chain, is up for sale

JAMESTOWN, N.D. — White Drug Enterprises, founded in 1884, is on the selling block.

The 37-store chain, operating in North and South Dakota, Iowa, Minnesota and Montana, was put on the market in early February by its parent company, Drug Systems Inc.

Northstar Industries, an acquisitions brokerage firm in Minneapolis, is handling the sale.

According to Franz Jevne, vp of Northstar, White currently has a book value of about $9 million, and the asking price for the chain is "book value plus a premium of healthy earnings multiples."

Jevne noted that several of the recent chain drug sales amounts to a figure three or four times book value, but adds that White's isn't as attractive as some of the major chains that have been recently sold.

White's performance has been somewhat soft recently. Company officials attribute the decline in sales to extreme weather conditions in its market areas, as well as the fact that White stores are predominantly in farming and ranching areas, two industries that have been suffering.

The drug chain's problems are reflected in the latest financial figures released by Drug Systems. For the 12-week period ending in January, revenues were up, but net income was down dramatically.

Corporate sales increased 5% to $28.9 million, up from $27.5 million during the same period last year. Third-quarter net earnings dropped 39% to $584,000 from $954,000.

Through the first three quarters of the year, net earnings at Drug Systems were down 28% to $1.4 million.

According to Jevne, progress of the sales efforts has reached the follow-up stage. "There has been significant interest in this property from the buying community. We have talked with the obvious potential buyers as well as many others. Several are now following up their initial contact with further research into the company."

Jevne added that "there are several qualified potential buyers at this point, but nothing is close to being signed."

Also on the selling block is White's sister company under the Drug Systems banner, Wil-Car, a 30-unit chain of H&BA and general merchandise stores. According to Jevne, Wil-Car has a book value of about $10 million and will be sold separately or as a package with White's.

White's was founded in 1884 by H. E. White, and was acquired in 1973 by Farm House Foods. Drug Systems was formed in 1983, when Farm House Foods merged White's with the Wil-Car stores.

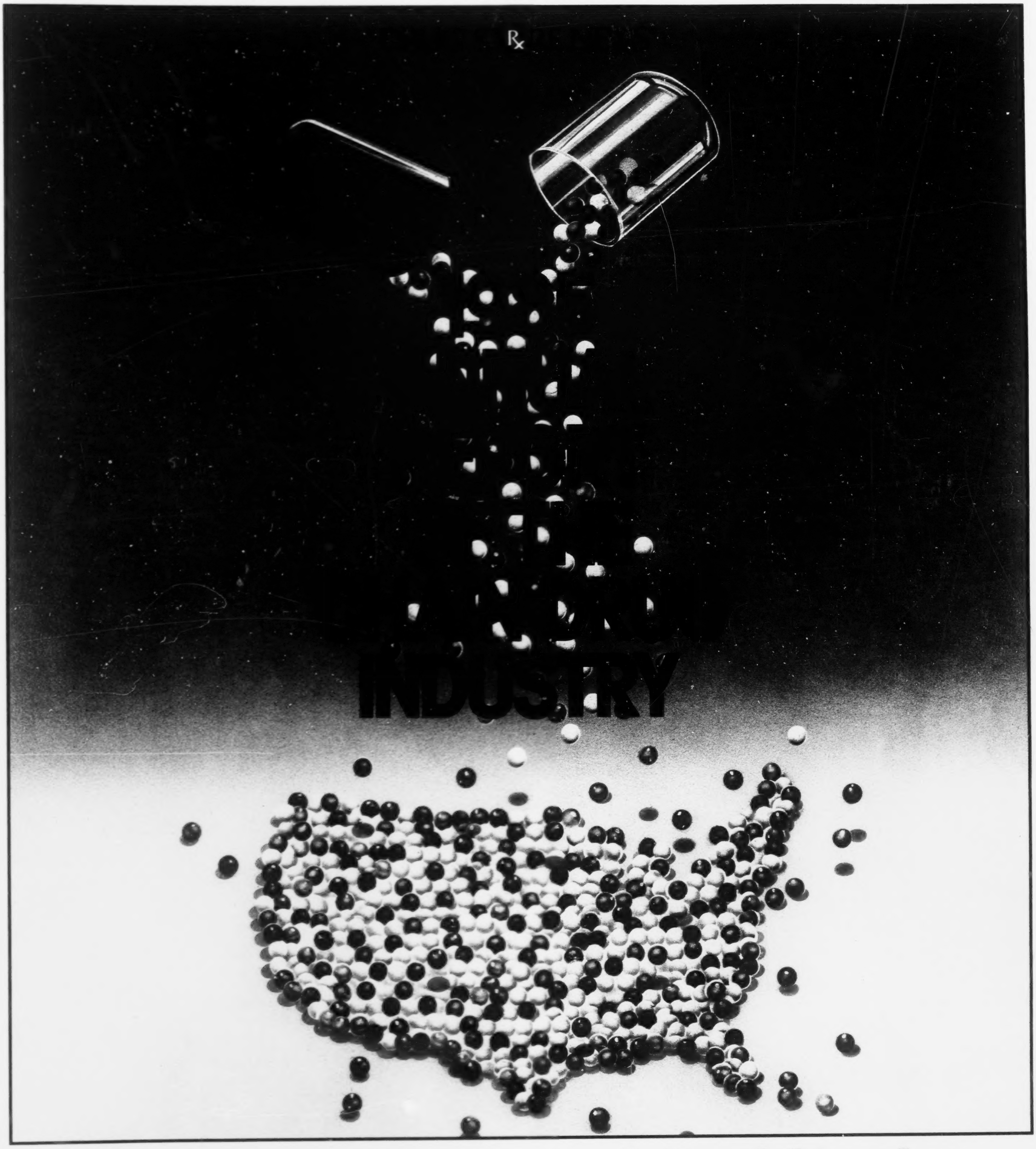
		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION				
		From 03/22/85 - 04/08/85							Price Trend (% per day)		Volume Trend (% per day)		Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin	Latest P/E Ratio	Indicated Dvd. rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)	
					Change		52-Week		Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days													Long Term Debt	Common Stock Equity
Name	Symbol	High	Low	Close	Amt	Pct	High	Low						Amt.	Pct				Amt.	Yield		Revenue	Earnings			
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																										
Am Stores	ASC	55.00	51.75	53.00	-2.00	-3.64	56.50	26.50	-.04	.27	1.46	-11.62	5.24	1.63 F	45.2	95.0	1.4	10.1	.64	1.2	03-26-85	12118.8	171.5	1.5	12.39	15.26
Begley Co	BGLY	16.75	15.50	15.50	-.25	-1.59	17.00	14.50	-.10	.40	-1.78	.00	1.33	-.30 N	-20.4	-8.0	1.1	13.2	.68	4.4	01-14-85	61.5	.7	1.9	15.55	18.26
Big B	BIGB	17.25	15.00	15.00	-2.63	-14.89	17.88	8.88	-.01	-.17	-.15	-21.22	.68	.15 F	28.3	22.0	3.0	22.1	.00	.0	09-21-83	148.1	4.4	2.3	.18	3.88
Drug Sys	DRGS	5.38	5.25	5.25	-.13	-2.33	5.63	3.25	.00	.42	-5.24	-37.23	.56	-.25 N	-38.5	NC	2.1	13.1	.00	.0	01-25-84	82.3	1.7	3.0	1.28	5.84
Eckerd, Jack	ECK	29.75	27.13	27.75	-1.25	-4.31	32.88	20.25	-.24	-.46	-5.07	9.33	2.27	.26 S	12.1	5.0	3.3	11.6	1.04	3.7	03-11-85	2622.5	85.4	2.0	2.52	16.47
Fay's Drug	FAY	10.75	10.00	10.25	-.25	-2.38	13.00	8.38	-.44	.40	-1.00	19.78	.62	.02 F	3.3	72.0	2.4	16.5	.20	2.0	03-18-85	366.7	8.7	1.7	1.78	3.82
Genovese Drug	GDX	14.25	13.38	13.38	-.50	-3.60	16.63	11.13	-.15	-.68	1.83	-3.91	1.03	.07 F	7.3	89.0	1.9	13.0	.20	1.5	03-29-85	220.3	4.1	1.9	2.83	4.92
Hook Drugs	HOOK	36.25	36.00	36.25	.25	.69	36.50	18.00	.05	.46	-5.85	42.29	1.87	-.14 F	-7.0	6.0	2.3	19.4	1.00	2.8	01-09-85	350.9	8.1	1.7	2.75	10.38
Longs Drg Strs	LDG	26.25	24.00	24.75	-1.63	-6.16	27.50	17.00	-.09	.05	-3.07	.43	1.89	.17 F	9.9	12.0	2.9	13.1	.64	2.6	03-27-85	1375.8	40.1	1.9	.00	10.57
Medicare Glaser	MGCO	5.00	4.75	4.75	.00	.00	7.88	3.50	-.68	-.59	-.41	-10.39	.43	-.19 N	-43.2	102.0	1.4	19.0	.00	.0	00-00-00	76.7	1.1	1.6	1.12	3.49
Pay N Save	PAYN	23.00	22.50	23.00	.25	1.10	23.63	14.38	.03	.98	6.09	4.21	2.02	-.81 N	-41.3	-2.0	2.5	20.0	.00	.0	08-20-84	1220.5	30.1	2.0	9.01	14.37
Perry Drug	PDS	19.63	17.88	18.88	.63	3.42	22.13	12.38	-.51	-.28	-3.66	18.48	1.26	.14 Q	13.0	18.0	2.1	15.5	.28	1.5	02-21-85	370.3	7.6	1.5	2.40	10.60
Revco Drug	RDS	24.88	23.63	23.75	-.63	-2.56	32.88	22.50	-.22	-.49	-1.89	-6.97	2.54	.18 S	8.5	22.0	4.2	10.3	.80	3.4	02-26-85	2227.5	93.4	2.1	1.08	12.22
Rite Aid Corp	RAD	31.75	27.75	28.50	-2.63	-8.43	33.50	17.50	-.24	-1.42	6.25	11.05	1.47	.32 N	24.1	11.0	5.1	17.3	.50	1.8	01-08-85	1223.3	62.2	2.3	.49	7.68
Thrifty Cp	TFD	21.25	19.75	20.13	-1.00	-4.73	22.88	12.75	-.23	-.40	3.84	32.45	1.40	.27 Q	23.3	21.0	2.1	14.1	.60	3.0	02-04-85	1299.3	27.9	1.5	4.46	7.72
Walgreen Co	WAG	54.38	52.13	52.13	-.75	-1.42	54.63	28.63	.11	-.35	-.17	5.46	2.78	.50 Q	21.0	33.0	3.1	18.1	.88	1.7	02-11-85	2744.6	85.4	1.7	1.73	13.52
Wholesaler's transactions																										
Bergen Bruns	BBCA	24.63	22.50	24.25	.25	1.04	28.50	19.00	-.35	.44	2.00	-28.76	1.57	.05 S	2.9	24.0	1.2	13.7	.32	1.3	01-28-85	1703.4	19.7	1.6	1.08	11.11
Cardinal Distrb	CDIC	18.50	14.53	18.00	2.09	13.16	18.50	10.91	.26	1.63	6.78	73.93	.92	.11 N	12.5	NC	1.1	18.2	.06	.3	03-26-85	243.3	2.6	1.8	.92	5.91
Durr Fillauer	DUFM	14.75	14.00	14.00	-.25	-1.75	15.25	10.25	-.17	-.04	3.69	-47.13	.92	.12 F	15.0	21.0	1.7	15.2	.16	1.1	02-25-85	341.7	5.8	2.3	1.52	7.56
McKesson Cp	MCK	43.50	42.63	42.88	.25	.59	45.25	32.38	.52	.12	.08	-22.11	3.78	-.42 N	-10.7	-1.0	1.6	12.3	2.40	5.6	02-25-85	4260.0	68.7	1.4	10.45	30.25
Foxmeyer Cp	FOXM	28.00	27.50	27.75	.25	.91	29.75	20.00	-.17	.21	-1.77	-80.49	1.27	1.22 N	141.9	122.0	1.1	13.3	.00	.0	00-00-00	464.2	5.2	2.0	3.95	11.86
Ketchum	KCH	17.38	16.25	16.25	-.50	-2.99	17.50	10.09	.45	-.97	3.32	-38.82	.77	-.46 N	-49.5	100.0	.3	34.6	.00	.0	09-24-84	245.1	.8	1.5	6.37	6.74
Owens & Minor	OBOD	16.25	14.50	16.25	1.50	10.17	16.25	11.25	.20	1.02	-2.72	-20.37	1.43	.02 F	1.4	84.0	1.2	11.4	.40	2.5	03-11-85	306.7	3.6	2.8	5.07	11.69
Spectro Indus	SPO	18.63	14.75	18.00	2.00	12.50	18.63	9.38	.14	3.67	6.17	8.22	.89	.36 N	46.2	53.0	1.8	15.8	.09	.5	03-29-85	395.4	7.2	1.7	1.23	4.44
Manufacturer's transactions																										
Abbott Labs	ABT	54.00	50.38	52.50	1.75	3.45	54.00	36.75	.41	-.30	-.33	2.71	3.34	.48 F	16.8	28.0	13.0	15.7	1.40	2.7	04-09-85	3104.0	402.6	1.9	3.91	13.33
Am Home Prod	AHP	62.50	59.88	61.25	.88	1.45	62.50	46.75	.34	.16	1.04	1.14	4.76	.76 F	19.0	18.0	16.3	12.9	2.90	4.7	02-06-85	4485.5	732.1	3.0	.00	13.14
Baxter Travenol	BAX	16.88	15.13	15.88	.50	3.25	18.63	11.75	.44	.00	-.57	-49.82	.21	-1.33 F	-86.4	-3.0	1.6	75.6	.37	2.3	03-13-85	1800.4	29.1	1.7	1.60	8.17
Block Drugs Co	BLOCA	30.50	30.50	30.50	.00	.00	31.25	24.28	.03	.36	-4.70	-13.89	3.18	.26 N	8.4	14.0	10.0	9.1	1.00	3.3	02-25-85	238.2	23.9	2.3	2.34	20.08
Bolar Pharm	BLR	40.13	36.50	39.50	2.00	5.33	40.13	22.50	.59	.99	.34	7.20	1.22	.07 F	6.1	47.0	18.2	32.4	.05	.1	02-08-85	29.1	5.3	4.9	.00	4.76
Bristol-Myers	BMY	58.25	55.38	56.13	.38	.67	58.25	43.00	.18	-.42	.42	-11.49	3.45	.45 F	15.0	20.0	11.3	16.3	1.88	3.3	03-29-85	4189.4	472.4	2.5	.75	15.63
Carter-Wallace	CAR	33.50	31.75	31.75	-.50	-1.55	34.50	19.38	.12	-.90	2.74	-19.29	2.37	.31 N	13.4	32.0	5.7	12.1	.52	1.6	02-04-85	323.1	18.4	2.4	1.69	21.87
Cooper Labs	COO	14.75	14.25	14.38	-.38	-2.54	27.00	12.50	-.18	.13	-3.50	18.37	-.12	-.90 Q	-100.0	NC	-1.3	NE	.00	.0	03-12-84	155.9	-2.0	1.6	.61	11.81
Forest Labs	FRX	19.00	17.38	18.25	.50	2.82	24.38	11.25	-.16	.12	-3.16	14.40	.54	.03 N	5.6	50.0	14.8	32.0	.00	.0	01-14-83	19.6	2.9	8.3	.28	5.42
ICN Pharm	ICN	11.63	10.13	10.63	-.50	-4.49	11.63	5.75	.51	.03	1.24	8.22	.00	-.22 F	-100.0	40.0	1.6	NC	.00	.0	00-00-00	44.8	.7	4.3	.20	4.34
Key Pharm	KPH	10.25	9.63	9.75	.13	1.30	17.13	8.00	-.40	.16	.15	.68	.61	.10 F	19.6	106.0	14.6	16.0	.20	2.1	03-11-85	151.1	22.1	2.1	1.16	1.67
Lilly Eli Co	LLY	78.88	76.13	77.13	.75	.98	79.50	53.00	.02	.13	-2.91	-6.77	6.73	.60 F	9.8	12.0	15.8	11.5	3.20	4.1	02-08-85	3109.2	490.2	1.7	1.63	31.04
Lee Pharm	LPH	6.50	5.63	6.38	.63	10.87	9.63	2.13	-.74	2.22	-3.25	8.72	.13	.52 Q	NE	16.0	6.2	30.4	.00	.0	00-00-00	8.1	.5	3.0	.20	1.73
Marion Labs	MKC	56.25	53.00	55.00	-1.00	-1.79	60.00	30.50	-.12	.16	-1.57	14.79	1.24	.49 S	48.0	59.0	10.6	36.4	.52	.9	03-14-85	226.4	24.1	2.4	.04	7.05
Merck & Co	MRK	105.38	102.50	103.25	.25	.24	105.38	78.25	.23	.18	-.51	-6.68	6.71	.61 F	10.0	6.0	13.8	15.4	3.20	3.1	02-28-85	3559.7	493.0	2.0	2.48	35.29
Morton Thiokol	MTI	31.75	28.63	29.38	-.13	-.42	31.75	23.81	.16	-1.37	2.93	26.61	2.16	.39 S	20.3	25.0	5.5	12.7	.64	2.2	02-22-85	2001.5	109.8	1.5	2.94	12.50
Mylan Labs	MYLN	22.00	18.25	22.00	3.63	19.73	22.00	5.97	.74	.78	5.59	-6.68	.20	.11 N	36.7	121.0	12.7	53.7	.05	.2	02-19-85	36.9	4.7	5.4	.10	.76
Newport Pharm	NWPH	6.88	6.00	6.88	.50	7.84	7.25	2.75	.45	2.94	4.07	72.74	-.21	.17 N	NE	-10.0	-26.0	NM	.00	.0	00-00-00	7.7	-2.0	2.6	.22	.93
Pfizer Inc	PFE	43.88	41.63	43.25	1.00	2.37	43.88	29.38	.36	.53	-2.60	-15.45	3.08	.35 F	12.8	21.0	13.2	14.0	1.48	3.4	01-28-85	3854.5	507.9	2.1	3.03	13.67
Reid Prov Labs	REID	4.88	4.38	4.38	-.25	-5.41	5.25	2.75	-.18	-.49	-1.97	5.95	.12	-.04 S	-25.0	99.0	6.7	36.5	.04	.9	12-10-84	13.4	.9	3.1	.02	.92
Robins, AH	RAH	23.13	20.50	20.88	-.25	-1.18	24.38	12.00	-.23	-1.81	4.27	23.35	2.40	-.98 N	-41.4	9.0	10.3	15.0	.00	.0	11-19-84	563.5	58.2	3.2	1.36	14.69
Rorer Group	ROR	32.50	29.00	31.63	1.88	6.30	34.13	24.00	.07	1.75	1.76	-11.07	2.08	.06 F	3.0	5.0	8.5	15.2	1.12	3.5	02-04-85	522.1	44.3	2.0	2.18	10.43
Scherer RP Co	SCHC	10.38	9.75	10.38	.25	2.47	14.50	8.63	-.09	.89	2.67	52.53	.52	-.29 S	-36.3	-5.0	2.3	20.3	.32	3.1	03-13-85	171.7	4.0	1.9	4.83	11.14
Searle, GD	SRL	51.00	46.50	49.88	-6.88	-12.11	65.50	37.50	-.62	.32	6.79	-12.16	3.24	.20 F	6.6	19.0	13.0	15.4	1.00	2.0	05-07-85	1245.8	161.6	2.4	3.62	14.85
Squibb Corp	SQB	58.00	54.13	55.75	1.50	2.77	58.00	37.50	.29	.22	2.59	11.87	3.68	.37 F	11.2	19.0	10.5	15.1	1.60	2.9	02-08-85	1886.0	197.2	2.4	3.86	23.24
Sterling Drug	STY	32.38	30.50	30.50	-2.88	-8.61	33.50	23.75	.56	-.11	.52	32.99	2.37	.13 F	5.8	5.0	7.8	12.9	1.16	3.8	02-07-85	1827.3	143.4	2.7	1.44	14.96
Syntex Corp	SYN	59.00	56.50	56.75	-.50	-.87	59.25	38.75	.16	-.29	-2.00	4.36	4.08	-.42 S	-9.5	20.0	14.7	14.1	1.92	3.4	02-08-85	916.5	134.6	2.1	5.36	18.81
Thompson Med	TM	14.25	13.25	14.00	.50	3.70	26.50	13.25	-1.12	.59	-1.96	16.03	2.20	.55 F	33.3	62.0	10.8	6.4	.40	2.9	03-25-85	197.2	21.2	4.3	.00	7.09
Upjohn Co	UPJ	81.00	76.75	80.00	3.13	4.07	81.00	45.00	.28	.37	-.11	23.64	5.67	.39 F	7.4	.0	8.0	14.1	2.56	3.2	04-01-85	2179.1	173.3	2.2	18.02	34.74
Warner-Lambrt	WLA	39.63	36.88	37.75	.00	.00	39.63	28.75	.14	-.37	2.29	-8.53	2.81	.30 F	12.0	5.0	7.1	13.4	1.48	3.9	02-04-85	3166.7	223.9	1.7	6.47	18.18
Zenith Labs	ZENI	26.75	23.25	26.50	3.00	12.77	26.75	8.00	1.36	1.14	1.41	16.29	.56	.07 F	14.3	69.0	7.7	47.3	.00	.0	03-13-85	37.5	2.9	4.6	.75	3.41

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:

NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219



Chains wrap up a blockbuster

Nineteen eighty-four was the year of the blockbuster.

American-Jewel . . . Revco-Odd Lot . . . Peoples-Rea and Derick . . . Pay 'n Save-Trump . . . K mart-Pay Less . . . Rite Aid-Hook . . . Kroger-Hook . . . Adams-Pantry Pride.

No sooner had one whopping story been digested, then another whopper was filling the mind with new details.

It was a year that *Drug Store News* overshot its quota of banner headlines.

It was also a year of growth for the chain drug industry, as consumer confidence continued to be buoyed by low inflation and a decreasing jobless rate. While profits did not match the spectacular performance of the previous year, they were generally strong.

Overall sales for the retail drug industry increased 9% to $43.2 billion, but the chain drug segment again outshone the industry as a whole with sales gaining 12% to $25.2 billion.

Moreover, while the number of drug stores throughout the United States remained roughly the same as last year (50,709), the chain drug portion of that total increased two percentage points to 35%.

If the big acquisitions and mergers were the Himalayas of a breathless news year, there were other peaks that seemed only a little less important as 1984 unfolded. Among them:

- With competition from supermarkets, mass merchandisers and deep discounters growing increasingly heated, several chains struck back with deep, across-the-board price cuts in selected markets.
- More and more chains rushed into new types of retail ventures as a way of insuring future growth, especially in markets saturated with traditional drug stores. The diversifications included retail book stores (Rite Aid and Encore); fast food (Peoples and Hardee's), and mega-optical stores (Eckerd and Vision Works).
- Chains continued to reach out for new technological advances to heighten efficiency and improve the bottom line. Perhaps the most important de-

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velopment was the integration of pharmacy and front-end computers into total store management systems. More chains also launched point-of-sale laser scanning tests.

- The year also had its share of problems. Revco, for example, ran into several tough-luck situations that ended its run of sparkling performances. And Gray Drug Fair, after tasting the beginning of a turnaround in the beginning of 1984, found the year had turned sour in the second half.
- Finally, there were the milestones: Genovese reached its 60th year, White Drug its 100th, and Walgreens joined Revco, Eckerd and Rite Aid in the exclusive 1,000-store club.

Big deals

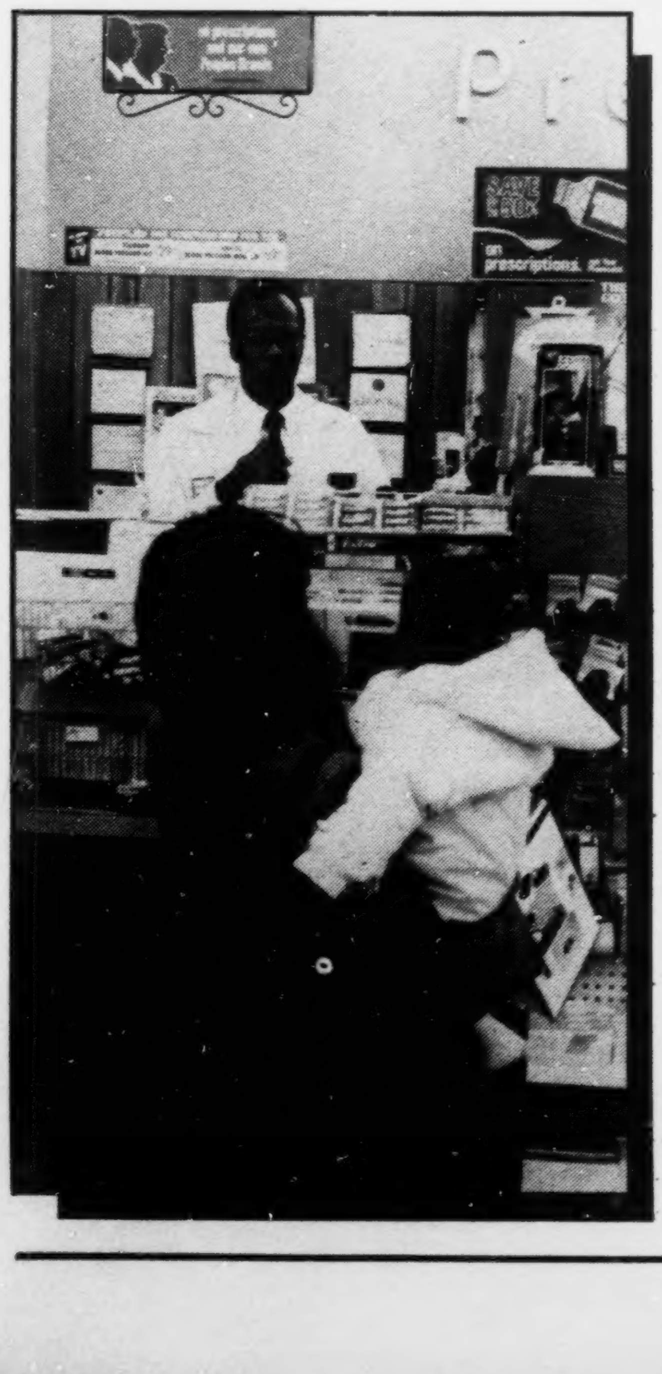
In 1984, the term shrinkage could be applied to a lot more than an unexplained slippage in inventory. It also seemed the perfect way to describe what happened to the chain drug industry as a whole.

Specifically, the ranks of the large publicly traded drug chains dwindled as company after company was acquired by bigger firms or moved into private hands through leveraged buyouts.

The biggest of these were Jewel Companies with its Osco and Sav-On drug chains (acquired by American Stores); Peoples Drug Stores (purchased by Imasco); Pay Less Drug Stores NW (K mart); Hook Drug (Kroger Co.); Adams Drug (Pantry Pride); Pay 'n Save (The Trump Group), and Dart Drug (a leveraged buyout by Dart executives).

In addition to these large deals, there were others involving smaller companies whose acquisition in former years would have merited top attention. Among them: Muir Drugs (acquired by Rite Aid); Apex (Perry Drug), and Rea and Derick (Peoples).

In some issues of *Drug Store News*, the big acquisition stories competed for front-page placement. On May 14, for example, the top story concerned the offer by Al Towle and other Dart Drug executives to buy the 73-store superdrug chain for $160 million. (Towle and the group would later succeed in getting financing for the leveraged buyout, and then begin the job of solving some of the problems that had been plaguing the chain under the former owners.)



On the same page was another top acquisition story, one which would later erupt into a major problem for the acquiring company. It involved Revco's decision to buy out Odd Lot, the closeout specialty retailer with whom the Twinsburg, Ohio-based company had been working amicably and profitably for two years.

No one—certainly not Sid Dworkin, the chairman—suspected that Odd Lot's owners would use their newly acquired 12% interest in Revco to try to wrest control of the company from Dworkin. They failed but the fight was damaging.

Perhaps the biggest acquisition news of the year was the $1.2 billion takeover of the Jewel Companies by American Stores. Jewel had long been coveted by Sam Skaggs, the publicity-shy head of American Stores. The completion of the merger brought together two food/drug giants operating four separate drug chains with stores from coast to coast. Only Walgreens could rival the breadth of their retail drug store coverage.

In addition to the drug chains, American and Jewel separately were operating close to 250 food and drug combination stores, the one-stop shopping behemoths that American has targeted as its major growth vehicle. Combos, which can generate $1 million or more a week in sales and yield profit margins higher than the traditional 1% of foods stores, were operating under the various names of Skaggs-Alpha Beta, Jewel/Osco, Buttery and Buttery/Osco. In addition there were the Sav-On combos in California that American would later drop.

To lighten its $700 million debt load, American began to sell off some of its parts, including Rea and Derick, which went to Peoples for $85 million.

American then began the task of

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10-year sales trends

(billions)

Year	Total industry	% change	Total chain	% change	Total indep.	% change
1984	$43.2	9	$25.5	12	$17.7	5
1983	39.7	10	22.8	11	16.9	8
1982	36.2	8	20.5	11	15.7	5
1981	33.4	10	18.5	12	14.9	8
1980	30.3	12	16.4	16	13.9	7
1979	27.2	12	14.2	17	13.0	6
1978	24.3	10	12.1	16	12.2	4
1977	22.2	8	10.4	14	11.7	4
1976	20.5	9	9.2	14	10.7	8
1975	18.8	11	8.1	14	10.7	8

Chain sales are for companies with four or more stores

Source: A. C. Nielsen Co.

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welding the three remaining drug chains—Skaggs, Osco and Sav-On—into a single drug division that eventually will carry one logo, Osco, and be headed by Dick George. George, president of Osco before the acquisition, quietly added the top Sav-On post to his responsibilities and is expected to take on Skaggs as well.

The largest sum ever paid for a pure chain drug company was laid out by K mart for Pay Less NW, the superdrug store company headquartered in Wilsonville, Ore.

K mart had made no secret of its intention to diversify into the retail drug business and was looking for a chain that was well managed and profitable. Pay Less fit the bill, and then some.

Operating in five Western states, the 164-store chain was averaging almost $6 million a store, close to the best of the chain drug operators, and producing a net profit margin of more than 3% on sales greater than $900 million.

In addition to the 30,000-sq.-ft. super stores, Pay Less had begun to open smaller Key drug stores in markets which could not support a full-line super store but which had growth potential.

K mart and Pay Less fit very well. The discounter, the second largest retail company after Sears Roebuck, had given emphasis to its pharmacy departments, with prescription services available in almost 1,000 stores. But there were no pharmacies in the Pacific Northwest or California, where Pay Less has its major strength.

What's more, Pay Less has considerable resources to ensure its growth, but K mart's pockets are almost bottomless. So far, the plans are to finance expansion out of Pay Less' cash flow, but the K mart resources are there if needed.

K mart chairman Bernard Fauber said the company has big plans for Pay Less, with expansion slated for contiguous states as well as certain areas of central and southern California.

Nineteen eighty-four was also a year in which one of the oldest companies in drug retailing, Hook Drug, was merged into the nation's second largest food retailers, the Kroger Co.

The chain drug industry, which had grown almost immune to shock over the big mergers taking place last year, was nevertheless startled when Rite Aid made a $31 a share bid for Hook. The unfriendly takeover offer for the 312-store Indianapolis-based chain sent Hook executives searching for a white knight who would guarantee the continued existence of the Hook name and at least some degree of independence for the management.

Although Hook's earnings had dropped 18% in the first nine months of the fiscal year, the chain was dominant in its home state of Indiana, and its distribution center is considered first-rate, both very attractive features for the aggressively growth-minded Rite Aid. The Shiremanstown, Pa.-based drug chain then upped the ante to $36.50 a share.

With almost everyone convinced that Hook management would lose its battle, it was a shock when Kroger moved in at the 11th hour with a $37 a share offer. In addition, Hook granted Kroger an option to buy up to 1.3 million shares, which effectively locked out Rite Aid.

Koger is expected to allow Hook its autonomy as long as it is able to reverse the earnings slide.

Hitting back

Eckerd had not yet experienced major competition from deep-discount drug stores, but Stewart Turley, chairman and ceo of the Jack Eckerd Corp., earlier this year told analysts:

"They're going to have to fight to get our market share."

Turley said that when the stores get competition from deep discounters, as they had in a minor way in Florida, "We get right down with them in price."

Turley might have been setting the tone for other chains that decided during the year that "We're mad as hell, and we're not going to take it anymore."

Specifically, Revco and Fay's both lowered prices on hundreds of sku's of core drug store products in selected markets in which the two chains were feeling competitive heat from supermarkets, mass merchandisers and deep discounters. Begley later followed suit.

For Revco, which launched the

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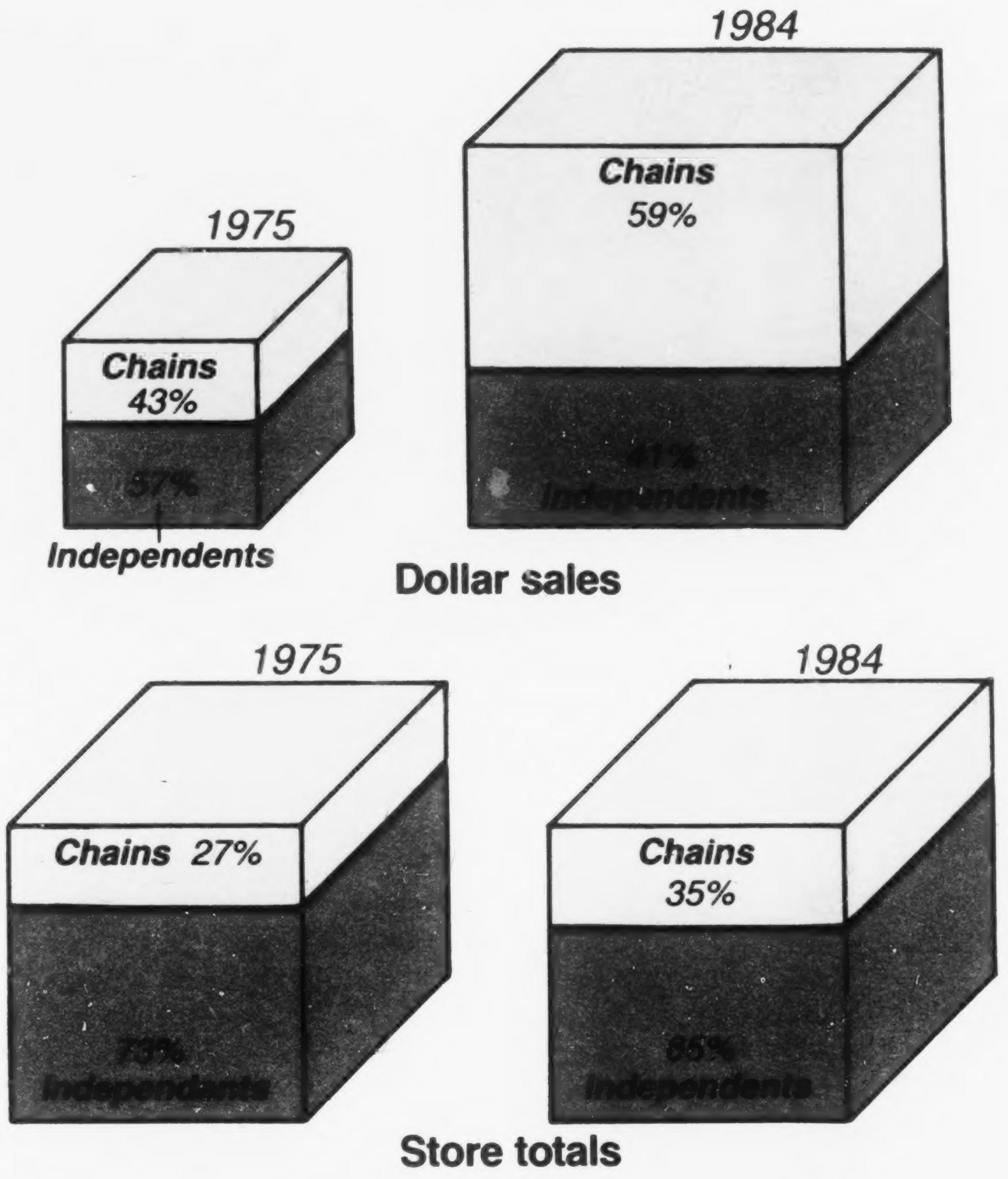
Chains and independents: 1984 vs. 1975



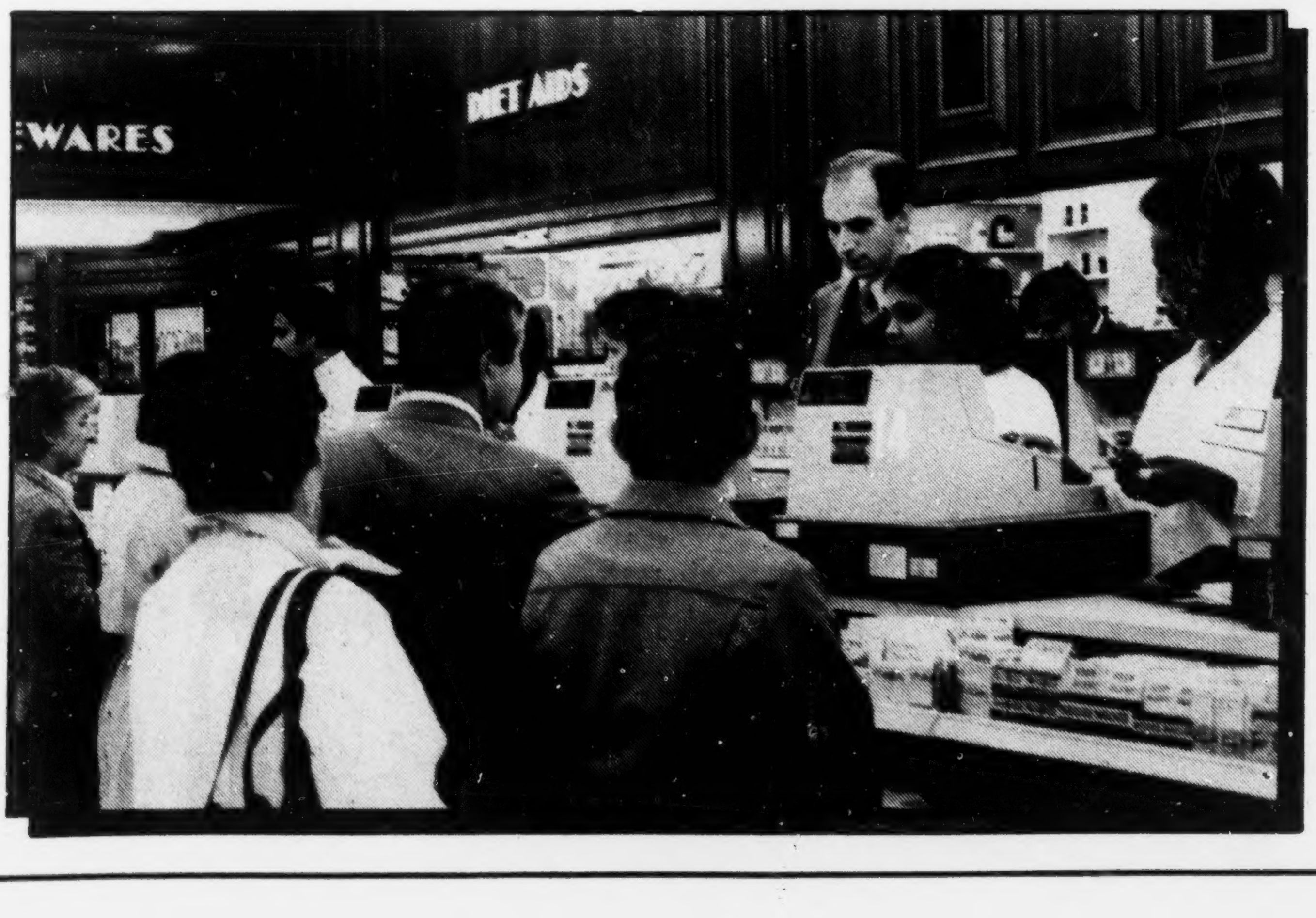
A chain is 4 or more stores

Source: A. C. Nielsen and Chain Store Guides

10-year drug store growth trend

Year	Total stores	Chain stores	Indep. stores
1984	50,709	17,677	33,032
1983	50,264	16,733	33,531
1982	49,400	16,347	33,053
1981	49,310	14,664	34,646
1980	49,192	14,815	34,377
1979	48,822	15,110	33,712
1978	49,151	14,709	34,442
1977	49,397	14,530	34,867
1976	50,719	13,998	36,721
1975	50,200	13,705	36,495

Source: A. C. Nielsen and Chain Store Guides



10-year sales share trends

	Total sales (billions)	Chain share	Indep. share
1984	$43.2	59%	41%
1983	39.7	57	43
1982	36.2	57	43
1981	33.4	55	45
1980	30.3	54	46
1979	27.2	52	48
1978	24.3	50	50
1977	22.2	47	53
1976	20.5	45	55
1975	18.8	43	57

Chains are companies with four or more stores

Source: A. C. Nielsen

1985 Annual Report of the Chain Drug Industry

Continued from page 77

price-slashing compaign, it was a matter of re-emphasizing its roots as a discount chain. Revco had always been known as a price leader in its markets. The chain did no feature advertising because it claimed that all of its prices were discounted on an everyday basis.

But then the deep discounters began moving in a big way to establish images as price leaders in many of Revco's markets. In addition, there was the continuing heat from the food chains and mass merchandisers.

Revco's answer in six of the hottest markets was to "get right down with them in price" on 3,000 H&BA items. In the past, Revco relied on word of mouth to maintain its price image with consumers. With the new price-slashing campaign, however, the chain went to television and print ads to sell its story.

After four weeks, there were indications that the price campaign was working. Same-store sales were running ahead of last year in some markets. But for the most part it was too early to tell if the sacrifice of gross margins would result in greater sales and gross profits dollars.

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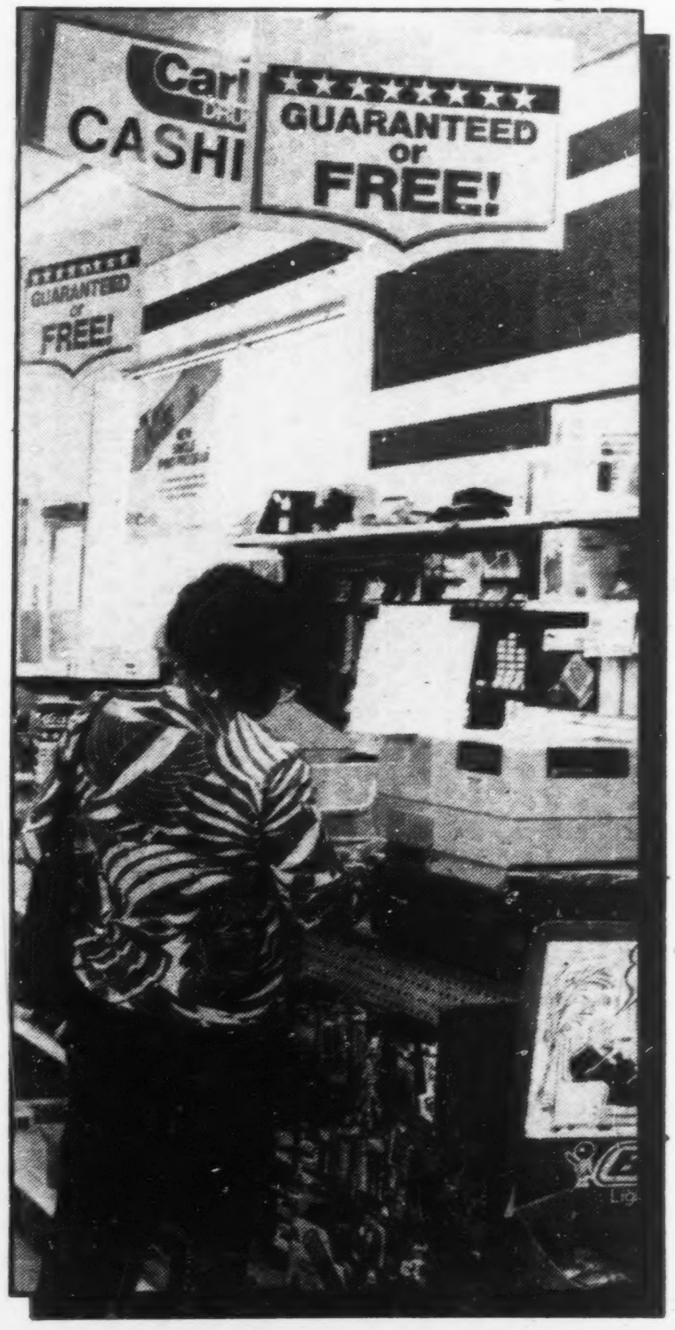

Top 50 Drug Chains: 1984 Dollar Volume

	Headquarters	Drug store sales in millions	% change	Store totals	% change	Fiscal year ended
1. Walgreens	Deerfield, Ill.	$2,614	17%	1,002	6%	8/31/84
2. Eckerd	Clearwater, Fla.	2,246	12	1,423	8	7/28/84
3. American Stores drug div.*	Salt Lake City	2,037^{e}	NA	530	NA	2/2/85
4. Revco	Twinsburg, Ohio	2,027	21	1,778	7	6/2/84
5. Longs	Walnut Creek, Calif.	1,375	13	191	7	1/31/85
6. Rite Aid	Shiremanstown, Pa.	1,297	13	1,275	11	3/2/85
7. Shoppers Drug Mart	Toronto	1,290	1	435	−0.1	3/31/84
8. Thrifty	Los Angeles	1,077	9	542	1	8/31/84
9. Peoples	Alexandria, Va.	1,020^{e}	NA	758	32	3/31/85
10. Pay Less NW	Wilsonville, Ore.	920	8	164	12	1/31/85
11. CVS	Woonsocket, R.I.	877	19	553	8	12/31/84
12. SupeRx	Cincinnati	860	9	621	3	12/29/84
13. Pay 'n Save	Seattle	775^{e}	8	136	− 5	1/29/85
14. Gray Drug Fair	Cleveland	623	8	423	5	12/31/84
15. Thrift	Pittsburgh	591	11	373	3	1/28/85
16. Fay's	Liverpool, N.Y.	367	18	119	17	1/31/85
17. Pharm-Escomptes Jean Coutu	Longueuil, Quebec	360	20	77	10	6/1/84
18. Hook	Indianapolis	346	8	312	5	12/31/84
19. Adams	Pawtucket, R.I.	332	10	422	0.4	12/31/84
20. K&B	New Orleans	330^{e}	10	135	8	9/30/84
21. Perry	Pontiac, Mich.	327	33	146	20	10/31/84
22. Dart	Landover, Md.	220^{e}	8	78	7	7/31/84
23. Genovese	Melville, N.Y.	220	13	77	7	2/8/85
24. Drug Emporium	Columbus, Ohio	190^{e}	27	48	30	NA
25. Medicine Shoppe	St. Louis	182	27	499	19	9/30/84
26. Supermarkets General Drug Div.**	Edison, N.J.	160^{e}	NA	49	NA	10/29/84
27. Medi Mart	Quincy, Mass.	151	26	64	19	1/28/85
28. Big "B"	Birmingham, Ala.	148	28	99	5	1/30/85
29. F&M	Warren, Mich.	140^{e}	45	16	45	10/31/84
30. Big "V"	London, Ontario	124^{e}	18	71	6	9/30/84
31. Snyder	Minnetonka, Minn.	120^{e}	20	55	0	1/31/85
32. Duane Reade	Long Island City, N.Y.	120	18	25	19	10/31/84
33. Super D	Memphis	108	4	105	3	7/30/84
34. Arbor Drug	Troy, Mich.	95^{e}	NA	40	14	7/31/84
35. Carls	Rome, N.Y.	84^{e}	18	25	19	12/1/84
36. A. D. Clark	Los Angeles	79^{e}	10	19	6	12/31/84
37. Medicare-Glaser	St. Louis	75	7	19	6	3/31/84
38. Arbor	Troy, Mich.	75	7	40	14	7/31/84
39. Cumberland	Montreal	75^{e}	7	23	28	12/31/84
40. Kent Drug	Mississauga, Ontario	72^{e}	7	70	1	12/31/84
41. Discount Drug Mart	Medina, Ohio	72^{e}	11	18	6	3/31/84
42. Kerr	Raleigh, N.C.	72^{e}	13	47	15	6/30/84
43. La Verdiere's	Winslow, Me.	66^{e}	12	58	9	12/31/84
44. Harco	Northport, Ala.	61^{e}	NA	53	8	7/31/84
45. Standard	Richmond, Va.	60	2	60	5	3/31/84
46. Super X Drugs	Downsview, Ontario	60^{e}	11	64	10	6/30/84
47. White Drug	Jamestown, N.D.	59	7	34	− 8	3/31/84
48. Taylor Drugs	Louisville, Ky.	56^{e}	6	46	− 2	9/30/84
49. Bills Drug	Lafayette, Calif.	55^{e}	NA	26	0	3/31/85
50. Community Distributors	Somerville, N.J.	50^{e}	14	25	14	7/28/84
50. Kinney Drug	Gouverneur, N.Y.	50^{e}	25	27	4	12/31/84

*Includes Skaggs, Osco, Sav-On drug stores
**Includes Pathmark, Pharmacity, Heartland drug stores
Source: *Drug Store News* survey, Chain Store Guides

Evolving character of the chain drug industry

Chain store size	No. of companies		% change	No. of stores		% change
	1974	1984		1974	1984	
2-3 store companies	2,303	1,270	−45%	5,158	2,934	−43%
4-10 store companies	496	375	−24	2,525	2,029	−20
10 or more store companies	172	138	−20	10,509	15,648	+49
Total no. of companies with 2 or more stores	668	513	−23	13,034	17,677	+36

Source: Chain Store Guides

1985 Annual Report of the Chain Drug Industry

Chain store remodels

Company	1984	1985[e]
Revco	234	200
Rite Aid	120[e]	130
Peoples	62	70+
Gray Drug Fair	58	37
Adams	45	50
Thrift	27	25
Walgreens	46	70
Medicine Shoppe	26	25
Taylor	16	17
Hook	14	22
Medicare-Glaser	12	16
Fay's	7	8
SupeRx	6	6
Pay Less	14[e]	8
Duane Reade	3	4
Standard	4	5
Page	5	2
LaVerdiere's	4	5
Harco	3	4
Begley	6	10
Arbor	4	5

Source: *Drug Store News* survey

10-year drug store share trend
(number of stores)

Year	% chain stores	% indep. stores
1984	35	65
1983	33	67
1982	33	67
1981	30	70
1980	30	70
1979	31	69
1978	30	70
1977	29	71
1976	28	72
1975	27	73

Source: A. C. Nielsen and Chain Store Guides

Customer Service
Customer Service

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On the heels of Revco's dramatic price-cutting, Fay's Drug did some deep price cuts of its own in the rugged Rochester market. "We're going as deep on prices as the best-run deep-discount stores," explained Dan Herrmann, president of the chain.

Fay's rolled back prices on 8,100 H&BA and OTC products, every sku in stock, in 25 stores in the market.

The campaign was also aimed directly at food chains, mass merchandisers and deep discounters. They included Wegman's, K mart and Freddie's, a deep-discount store operated by CVS parent Melville Corp.

Melville was about to open its second Freddie's. "When you compete with one successful deep discounter, that's a temporary phenomenon," Herrmann said. "Two is a price war."

Begley recently joined the price-cutting trend with a campaign to make the chain's 47 drug stores more aggressive on price. Begley chose 380 of the most visible H&BA, general merchandise and pharmaceutical products for "dramatic" cuts.

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Top 50 Chains: 1984 store totals

Chain	Headquarters	Total 1984	% change
1. Revco	Twinsburg, Ohio	1,778	7.0
2. Eckerd	Clearwater, Fla.	1,423	4.0
3. Rite Aid	Shiremanstown, Pa.	1,275	13.0
4. Walgreens	Deerfield, Ill.	1,002	6.0
5. Peoples	Alexandria, Va.	758	32.0
6. SuperRx	Cincinnati	621	2.0
7. CVS	Woonsocket, R.I.	553	8.0
8. Thrifty	Los Angeles	542	0.9
9. American Stores	Salt Lake City	530	33.5
10. Medicine Shoppe	St. Louis	499	19.0
11. Shoppers Drug Mart	Toronto	435	− 0.2
12. Gray Drug Fair	Cleveland	423	5.2
13. Adams Drug	Pawtucket, R.I.	422	− 0.7
14. Thrift	Pittsburgh	373	3.6
15. Hook	Indianapolis	312	10.6
16. Longs	Walnut Creek, Calif.	191	7.3
17. Pay Less NW	Wilsonville, Ore.	164	10.0
18. Perry	Pontiac, Mich.	146	20.0
19. Pay 'n Save	Seattle	136	− 4.8
20. K&B	New Orleans	135	8.0
21. Medi Save	Baton Rouge, La.	109	NA
22. Super D	(To Come Later?)	105	NA
23. Big "B"	Birmingham, Ala.	99	5.3
24. L. F. Widmann	McElhatten, Pa.	80	12.6
25. Dart	Landover, Md.	78	8.3
26. Genovese	Melville, N.Y.	77	6.9
27. Pharm-Escomptes Jean Coutu	Quebec	77	1.0
28. Super X Drugs	Downsview, Ontario	64	8.4
29. Medi-Mart	Quincy, Mass.	64	18.5
30. La Verdiere's	Winslow, Me.	58	5.4
31. Snyder Drug	Minnetonka, Minn.	55	0.0
32. Harco	Northport, Ala.	53	35.9
33. Union Prescription	Milwaukee	51	10.9
34. Begley Drug	Richmond, Ky.	48	4.3
35. Drug Emporium	Cincinnati, Ohio	48	33.0
36. Kerr Drug	Raleigh, N.C.	47	11.9
37. Taylor Drug	Louisville, Ky.	46	− 0.2
38. Supermarkets Gen. Drug Division	Edison, N.J.	45	NA
39. Carls	Rome, N.Y.	42	16.6
40. Arbor Drug	Troy, Mich.	40	14.3
41. Rix Corp.	Auburndale, Mass.	34	NA
42. White Drug	Jamestown, N.D.	34	−21.0
43. Wellby Super Drug	Portland, Me.	30	0.0
44. Kinney Drug	Gouverneur, N.Y.	27	8.0
45. Ribordy Drug	Valparaiso, Ind.	26	4.0
46. Bill's Drug	Lafayette, Calif.	26	NA
47. Bartell Drug	Seattle, Wash.	26	24.0
48. Community Distributors	Somerville, N.J.	25	13.6
49. Duane Reade	Long Island City, N.Y.	25	19.0
50. Page Drug	Dallas	14	NA

Source: *Drug Store News* survey, Chain Store Guides

229
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369
399
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Wheels and burgers

Diversification continues in the chain drug industry and there is virtually no predicting who will venture into what. The answer to the question "What will they think of next?", is definitely, "who knows?"

The major diversification avenues of yesterday continue to be popular. Drug chains opening auto stores, deep-discount units and home health care stores is common today.

Chains reached their apogee in the variety of diversifications last year. They invested in burgers, glasses, paper goods, capability extenders and fact and fiction.

Rite Aid completed its previously announced plans to venture into three new retail markets. In 1982, the chain acquired the Circus World toy store chain. In March 1984, it purchased ADAP, a discount auto parts chain, and in August, it picked up the Philadelphia-based Encore discount bookstore chain.

At the time of the purchase of the bookstores, some industry officials were puzzled about why Rite Aid, with sales in excess of $1.2 billion, would bother with the 18-store book chain with sales just topping $10 million.

Analysts concurred that this small acquisition alone would have no substantial effect on Rite Aid's performance, but combined with the other two diversifications, could raise the profit picture each year by one or two points.

The Jack Eckerd Corp. last year became the first drug chain to open an optical "superstore" offering some 10,000 eyeglass frames and a multitude of services.

This diversification was logical for the chain, since it has been in the optical business for 11 years, and has 152 in-store optical departments already operating.

Visionworks is a 10,000-sq.-ft. freestanding store, in Eckerd's home city of Clearwater, Fla. A second mega-optical opened in Charlotte, N.C., in November and a third was planned for Tampa.

Visionworks contains a complete laboratory where lenses are ground, edged and tinted. It is capable of producing new glasses in as little as two hours, and customers can watch the work being done in a glass-enclosed work area.

Eckerd also invested $9 million last year in the HomeClub, a California-based warehouse home center chain. The drug chain owns 15% of the company, which is a wholesale membership buying club. It currently has six locations.

HomeClub is expected to add eight to 15 new locations during 1985 with each averaging about $20 million in sales.

Diversification areas for major drug chains

Company	Type of store	Number of stores
Walgreens	Home health	3
	Restaurants	87
Eckerd	Home health	6
	eye care superstores	2
	Home video	200
	Optical	152
	Department stores	57
Revco	Close-out stores	100
	Deep discount drug stores	2
Rite Aid	Toy stores	188
	Contemporary variety stores	10
	Discount auto supply stores	51
	Home health care stores	4
	Food stores	48
	Deep discount drug stores	3
	Book stores	20
L. F. Widmann	H&BA	74
Thrifty	Sporting goods stores	71
	Restaurants	23
	Discount book stores	171
	Discount automotive parts stores	43
Pay Less NW	Deep discount drug stores	3
Peoples	Deep discount drug store	1
	Fast-food hamburger franchises	2
	Home health care centers	4
Pay 'n Save	Home center stores	90
	Sporting good stores	15
	Apparel stores	24
	Auto parts stores	58
	Cash and carry wholesale stores	3
Begley	Combination	3
	Home health care	5
Ribordy	Deep discount	2

1984: Chain stocks rally in second half

Chain drug stocks turned bearish during the first half of the year, but a second-half rally helped set the stage for a strong run-up in prices that has continued through the first quarter of 1985.

Most chain drug stocks closed out 1984 with mixed results. Eight of the 15 leading public drug chains gained during the year.

However, because of the broad sell-off of retail issues in general during the first six months of the year, publicly held drug chains posted increases that were substantially lower than in 1983.

Among the biggest losers last year was Hook Drug, which plunged 31% in 1984, Genovese Drug, down 28.3% from the previous year and Fay's Drug, off 23.6% from 1983. Big B, which registered a 104% increase in 1983, fell 17.5% last year.

Large institutionally held stocks fared somewhat better. Eckerd Drug closed the year up 3.6%. Rite Aid appreciated 14% from the previous year. The Los Angeles-based Thrifty managed to gain 13.6% over last year.

But the widely publicized problem at Revco sent the stock price spiraling downward in 1984. At year-end, Revco was selling at $24.37, more than 10 points off from its 1983 close of $34.62.

Pay 'n Save, the subject of a takeover, still closed the year down 9.4% from 1983.

However, investors whose holdings included Peoples, Jewel Cos., Dart Drug and Adams found 1984 particularly rewarding. Each of those companies also was a takeover target, but unlike Pay 'n Save, their individual stock prices soared.

During the second half of 1984 as retailer profits strengthened, Wall Street turned the bulls loose with chain drug stocks, and they've been running ever since.

Of the 15 leading public chain drug issues tracked by *Drug Store News*, only three—Revco, Hook and Genovese—failed to stage a recovery in the second half of the year.

But Hook Drug investors were amply rewarded for their patience during the first quarter of 1985. An unfriendly tender bid by Rite Aid for $31 a share was later topped by Kroger's offer of $37 a share, which Hook accepted. In the end, Hook investors realized a 75% gain from the stock's closing price of $20.50 on Dec. 31, 1984.

In addition, those savvy investors who held Pay Less NW stock also benefited from an outside takeover. After enjoying a 38% run-up in the price of their shares in 1984, they were treated to an additional 16% increase during the first month of the year when Pay Less accepted K mart's $27 offer.

With the exception of Revco, every publicly held drug chain rode the bull market in the first quarter of 1985.

Walgreens continues to be a favored stock. It appreciated nearly 18% after a strong performance throughout 1984.

Another chain off to a fast start in 1985 is Rite Aid. Since closing the year at $25.88, the stock has risen 25% to $31.63.

However, the biggest winner thus far in 1985 is Big B. After closing its fiscal year with exceptionally strong sales and earnings, Big B stock has soared 60% to $17.25.

Even Fay's and Genovese, whose earnings were down during the fourth quarter, have enjoyed a run-up in prices in 1985. Genovese is up 9%, while Fay's rose 6% since the end of last year.

Food/drug stocks continue to be preferred issues among investors. American Stores registered a 35% gain in the first quarter of 1985. Kroger and Supermarkets General also posted very strong gains.

1984 chain drug stock performance

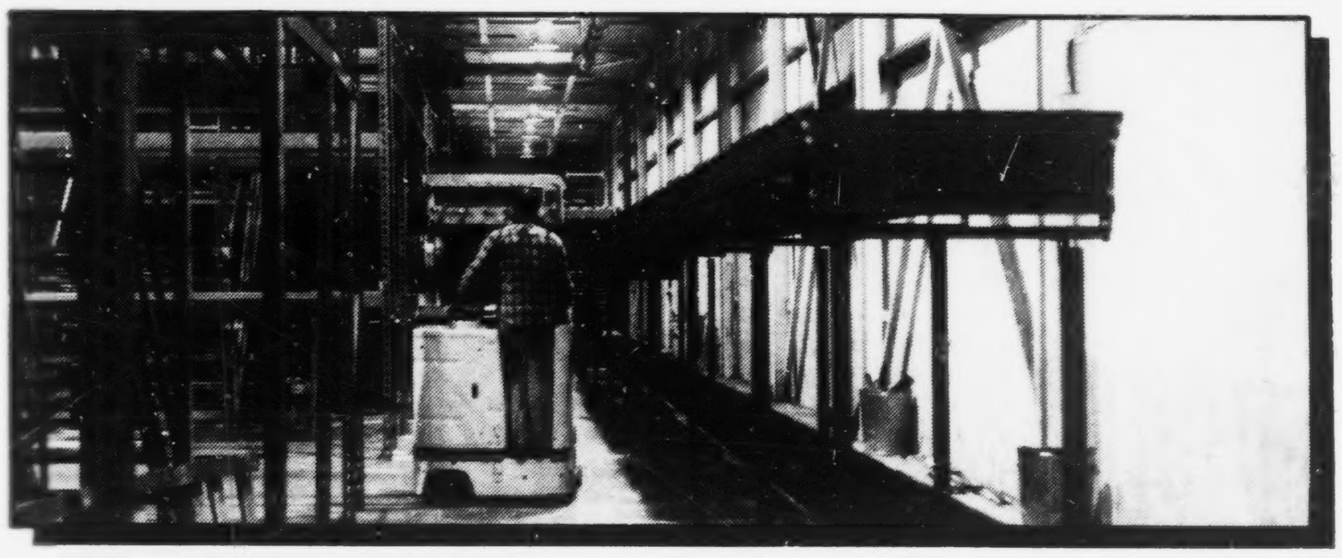
	1984 stock prices			'84 %	Year-end	Year-end	3/25/85
Company	High	Low	Last	Change	'84 P/E	'83 P/E	Price
American	$41.13	$26.50	$40.00	1.0	10.2	11.9	54.00
Begley	16.50	14.50	15.50	– 9.6	12.8	13.0	15.75
Big B	13.25	8.88	10.88	–17.3	18.4	27.7	17.25
Eckerd	29.75	20.25	28.75	3.6	12.4	14.2	29.00
Fay's	13.50	8.38	10.18	–23.6	15.3	24.5	10.25
Genovese	16.63	11.13	12.75	–26.6	12.4	20.9	14.00
Hook	28.75	18.00	20.50	–31.0	11.5	14.3	36.00
Longs	46.88	34.00	44.25	– 9.0	12.2	14.8	51.75
Pay Less NW	24.13	14.00	23.25	28.3	15.7	14.0	N.A.
Perry	18.50	12.38	17.63	9.3	13.6	15.8	18.25
Revco	37.50	22.50	24.13	–30.3	9.6	15.1	23.38
Rite Aid	27.25	17.50	25.38	14.0	16.1	16.7	31.63
Thrifty	21.38	11.50	19.88	13.6	14.2	18.0	20.88
Walgreens	45.25	28.63	45.25	17.7	16.2	17.1	53.25

Source: Media General

PERFORMANCE

1985 Annual Report of the Chain Drug Industry

Warehouse grades up at full throttle



The trend toward warehouse modernization and centralization continued at full throttle in 1984 as chain drug companies strived to increase inventory turns and improve delivery time.

Moreover, many chains also greatly expanded existing distribution facilities not only to support additional drug stores, but to furnish a growing number of diversified ventures such as auto outlets and home health care centers.

Overall, the state-of-the-art technology installed in today's warehouse is truly impressive.

Eckerd Drug

Eckerd Drug's ninth distribution center, which opened last spring in Hammond, La., was the chain's first fully automated and completely computer-controlled facility. The 216,000-sq.-ft. center has the capacity to process more than 15,000 pieces of merchandise over more than two miles of mechanized conveyors.

One of the keys to the Eckerd system is a Rexnor Laser beam scanner, which can "read" laser-printed bar codes at a rate of three units a second. Eckerd is also using the sophisticated Alvey Zip Sorter to divert merchandise along conveyors to one of 28 shipping doors.

Eckerd's Hammond facility, according to some sources, should help boost its inventory turns from 12 to 15 times a year. The mechanized center should also help speed deliveries to about 116 Louisiana stores.

Perry Drug

In another major expansion development, Perry Drug will soon open a $4 million 155,235-sq.-ft. addition to its present 224,000-sq.-ft. distribution facility in Pontiac, Mich. The addition will not only increase the facility's space by 50%, but also significantly boost the percentage of merchandise shipped via the warehouse. Perry currently ships 55% of its goods (by dollar volume) through the facility.

In addition to its Pontiac facility, Perry now operates two auto supply warehouses, a 49,000-sq.-ft facility in Columbus, Ohio, and a 65,000-sq.-ft. facility in Muncie, Ind.

Perry's 224,000-sq.-ft. distribution center in Pontiac has a new high-tech system designed by William Semco, chairman of Semco, Sweet & Mayers. Semco has designed warehouses for Pay Less NW, Sav-On and Gray Drug.

The Pontiac warehouse contains a mechanized system of loading conveyors that can extend and retract up to 45 ft. into the nose of a trailer. The center also has the capacity to simultaneously load 24 trailers in a temperature-controlled loading dock.

With the installation of this high-speed equipment and a high-speed sorter and omni-directional moving-beam laser scanner, Perry says that it can load 100 trailers in two 10-hour shifts.

Genovese

Genovese also plans to open a semiautomated 150,000-sq.-ft. facility in Bohemia, N.Y. The company expects to add 100,000 sq. ft. to the warehouse.

The new Genovese warehouse, which will be leased from another company, will increase the number of sku's from about 8,000 currently in the old distribution facility in Melville, N.Y., to about 12,000, according to Don Gross, vp of marketing and distribution. The move will better position Genovese as a warehouse-oriented chain, creating "better turns at the store level with fewer out of stocks," said Gross.

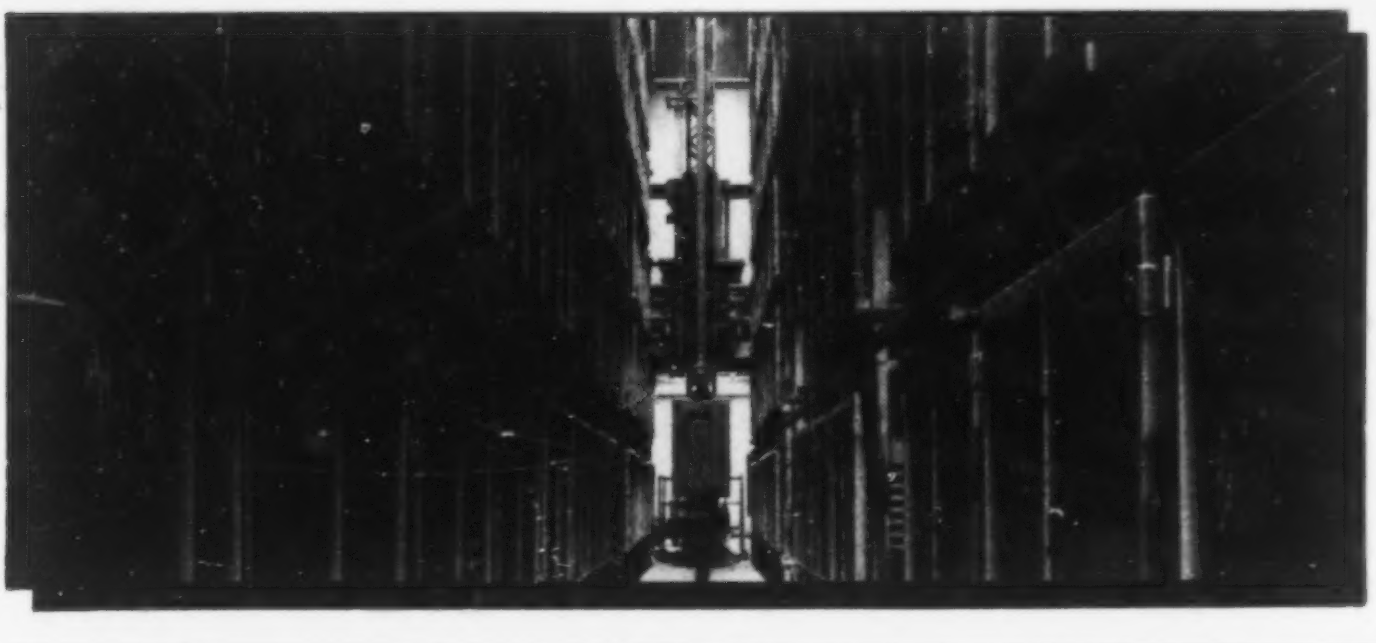
FoxMeyer

In other developments, FoxMeyer, the industry's fourth-largest drug wholesaler, recently opened a new 82,000-sq.-ft. facility in Slidell, La. Here too, technology provides key innovations. The facility contains cross-aisle picking, an innovation in the industry, according to FoxMeyer; a fully computerized receiving system; a perpetual inventory system, and a host of other mechanized systems.

Bergen Brunswig

Bergen Brunswig, another wholesaler, also tested an order-picking system last year. Testing was conducted at two picking stations in Bergen's San Jose distribution center. Bergen used an automated order-picking system made by Itematics, which is also used by Walgreens.

The $750,000 system includes both hardware and software, which allowed Bergen to integrate the system into computer applications already used in the company's various facilities.



Top Drug Chains in Warehousing

	1984		1983	
	No. of Facilities	Total Sq. Ft.	No. of Facilities	Total Sq. Ft.
Eckerd	9	2,799,000	6	2,608,000
Revco	9	3,000,000	9	2,195,831
Walgreens	6	1,800,000	6	1,746,000
Thrifty	3	1,180,000	3	1,180,000
Peoples	6	1,000,000	6	1,000,000
Rite-Aid	3	980,000	3	980,000
Jewel	2	800,000	2	800,000
CVS	2	683,000	2	689,000
Thrift	3	781,000	3	664,000
Gray Drug Fair	3	625,000	3	625,000
Hook	1	530,000	1	600,000
SupeRx	2	560,000	2	560,000
K&B	2	540,000	2	540,000
Pay 'n Save	2	540,000	2	540,000
Pay Less NW	1	508,000	1	533,000
Dart	1	500,000	1	500,000
Adams	1	410,000	1	410,000
Tom Thumb Page	1	400,000	1	400,000
American Stores	8	388,000	8	388,000
Snyder's	1	363,000	1	363,000
Fay's	1	280,000	1	295,000
Perry	2	288,000	2	288,000
Malone & Hyde	1	210,000	1	210,000
Courtesy	1	175,000	1	175,000
London Drugs	1	169,000	1	169,000
Boots	1	120,000	1	120,000
Rix	1	60,000	1	105,000
Kinney	1	105,500	2	105,500
Pharm-Escomptes	2	100,000	2	100,000
Duane Reade	1	140,000	1	100,000
Standard Drugs	1	100,000	1	100,000
Big B	1	100,000	1	100,000
LaVerdiere's	1	100,000	1	100,000
Carls	1	70,000	1	100,000
Begley	1	80,000	1	100,000
Discount Drug Mart	1	91,000	1	91,000
Kerr	1	120,000	1	88,000
Drug Fair of N.J.	1	81,000	1	81,000
Taylor Drug	1	80,000	1	80,000
Medicare-Glaser	1	76,000	1	80,000
A. D. Clark	1	75,000	1	75,000
Arbor	1	72,000	1	72,000
Pharmacity	1	70,000	1	70,000
Harco	1	60,000	1	60,000
Muir	1	60,000	1	60,000
Big "V"	1	60,000	1	60,000
Genovese	1	50,000	1	60,000
White Drug	2	55,000	2	55,000
Longs	4	variable	4	variable
Ribordy	1	44,000	1	50,000
People's Drug Mart	1	40,000	1	40,000
L. F. Widmann	2	47,000	1	40,000
Erickson	1	40,000	1	40,000
Lewis Drug	1	30,000	1	30,000
Douglas Drug	1	30,000	1	20,000
Sentry	1	25,000	1	20,000
Mi-Lo	1	15,000	1	15,000
Mays	1	15,000	1	15,000
Medi-Mart	1	13,000	1	13,000
Bartell	1	14,000	1	10,000

Combo units continue to lure shoppers

The marriage between food and drug stores grew stronger during 1984 as the combination store concept continued to lure major food and drug retailers into profitable ventures.

As the popular offspring of this union, convenient one-stop shopping, became more accessible to the public, more shoppers turned to their local food/drug combo stores.

Another important offspring of this marriage is the increased profit potential it provides the retailer.

The reason for opening, and for converting to the food/drug combination, is a simple one—food, with an average profit margin of 1%, generates the traffic and drugs, with a margin of 3%, boosts the profits.

"Supermarkets provide $^2/_3$ of the volume and drug stores $^2/_3$ of the profits," notes one industry observer.

The major combo store news in 1984 was the acquisition of the Jewel Companies by American Stores. That $1.15 billion deal stands as the largest merger ever in the history of the chain drug industry.

The merger made American Stores the third largest food and drug chain in the country with a total of 2,200 food/drug combos, supermarkets and free-standing drug stores spanning 43 states.

Specifically, at year's end, American operated 245 food/drug combos: 118 Jewel/Osco; 92 Skaggs Alpha Beta; 34 Buttery, and one Buttery Osco.

The five central California Sav-On combos that Jewel had big plans for were closed down by American Stores within a few months of the takeover.

American Stores now ranks third in total number of combo stores operated. Cincinnati-based Kroger Company was operating 420 combos at year's end, and Safeway of Oakland, Calif., was operating 354.

An industry first occurred in October 1984, when Minyard Food Stores combined one of its food warehouse stores with a deep discount drug store. "Sack 'N Save" is a 76,000-sq.-ft. store combining for the first time warehouse selling of both food and drug items.

The store, complete with pharmacy, has a ratio of 60% food to 40% drug items. It is open 24 hours a day.

According to the company, the store must to a hefty $23 million in sales a year to break even. The company was so happy with the initial results of the store, that within a month of its opening, announced that it would open another in late spring of 1985.

The store is located in Waco, Tex., just 100 miles south of Dallas.

And speaking of Dallas. . . .

The Metropolitan Dallas Area, including Fort Worth, is undisputedly the toughest combo market in the country. The area is served by the giants in the combo world, including Skaggs Alpha Beta and Tom Thumb/Page.

Albertson's, which operates a total of 91 combos, made Dallas a bit tougher in 1984 when it returned to the market after an absence of seven years. The company announced its plans to build 10 stores in the area.

The chain is taking its new move quite seriously. Earlier this year, it sold its seven Alabama combos to Bruno's because it lacked market penetration. Concentration will now be on Sunbelt markets.

Prior to 1977, the Skaggs-Albertson food/drug combo stores dominated the Dallas market, but when the two companies broke up their partnership, Skaggs got the Dallas market where it kept expanding its Skaggs Alpha Beta combo stores.

Albertson's has returned with a new low price posture, and industry officials predict that the company's major target in this hot market is its old partner.

In order to serve its Dallas combos better, Tom Thumb/Page increased its warehouse space by 24% during 1984 by adding another 110,000 sq. ft. to its existing 467,000 sq. ft. Tom Thumb/Page operates a total of 72 food drug combos.

Albertson's also returned to another market last year that it left about 17 years ago—Tacoma, Wash.

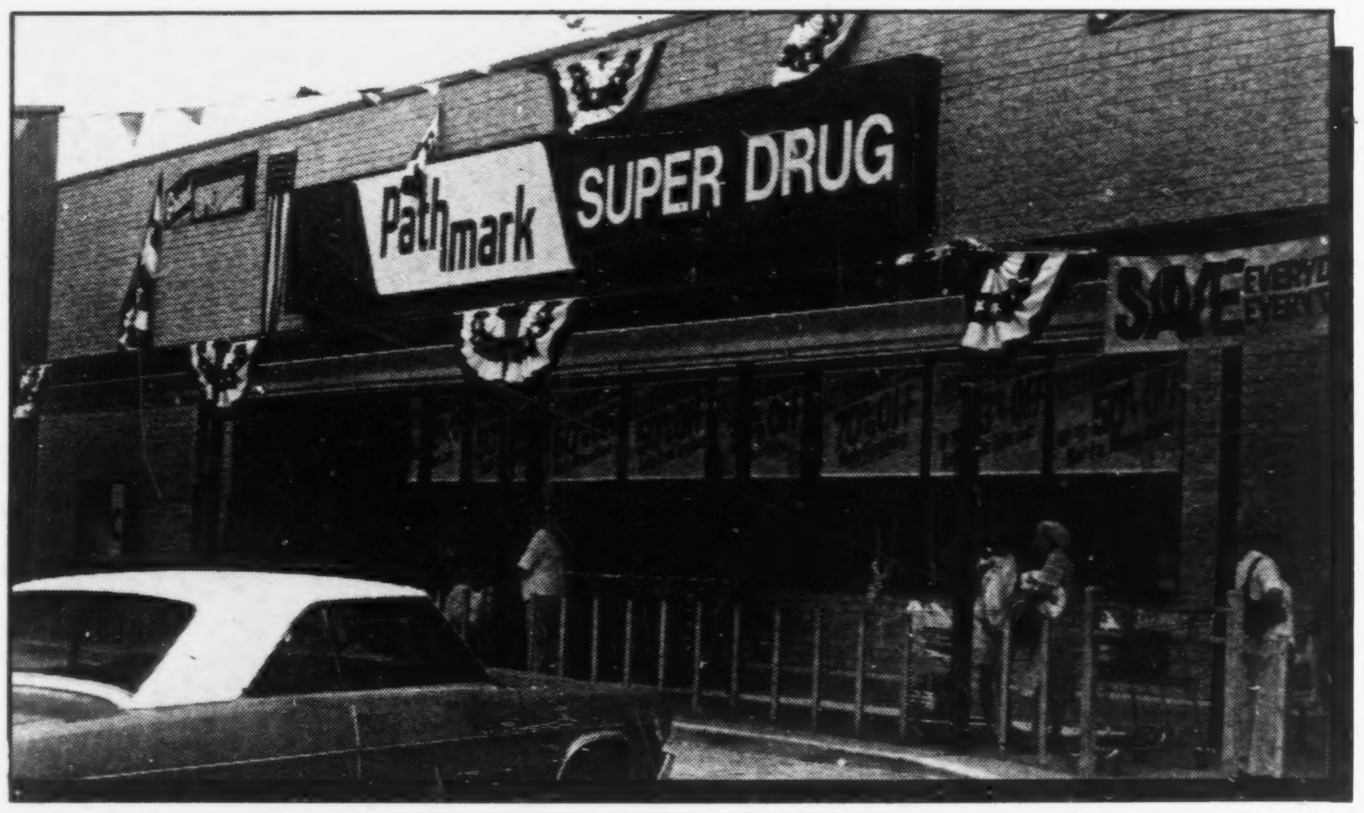
In other combo store news:

- Raley's, which operates 47 food/drug combos in the Sacramento and Lake Tahoe areas, added a new dimension to its 55,000 sq. ft. stores last year. It is testing in-store travel centers in six of its locations. The glassed-in travel offices occupy between 500-600 sq. ft. and are located "wherever they can be fit into the stores."
- Pneumo Corporation, owners of Carl's Drug Stores and P&C supermarkets, opened a 48,000-sq.-ft. combo in Lebanon, N.H. The store, with a ratio of 70% food to 30% drug, is the first combo to serve this particular part of New Hampshire.
- Also in New England, Wellby started testing a mini-combo concept in Augusta and Portland, Me. The stores are 7,500 and 8,500 sq. ft., respectively.
- Quick Chek, a New Jersey-based convenience food store chain, ended 1984 with six mini-combos, averaging about 7,200 sq. ft. The company plans to add 12 additional mini-units during 1985.

Combination store leaders

Company	*Headquarters*	*No. of stores*
Kroger	Cincinnati	420
Safeway	Oakland, Calif.	354
American Stores	Salt Lake City	245
Jewel/Osco		118
Skaggs Alpha Beta		92
Buttery		34
Buttery/Osco	Boise, Idaho	1
Supermarkets General: Pathmark	Woodbridge, N.J.	110
Albertsons	Boise, Idaho	91
Cullum: Tom Thumb Page	Dallas	72
Lucky Stores	Dublin, Calif.	72
Giant Foods	Landover, Md.	72
Raley's	Sacramento, Calif.	47
H. E. Butt	Corpus Christi, Tex.	40
A&P Family Centers	Clearwater, Fla.	26

Source: *Drug Store News* survey



TOM THUMB-PAGE
Deli-Bakery
Food-Drug
Prescriptions
GRAND OPENING!
TOM THUMB-PAGE

1985 Annual Report of the Chain Drug Industry

1985 drug chains financial scorecard

Total corporate sales
(add 000,000)

Company	FY ends	'84	'83	'82	'81	'80
1. Walgreens	8/31/84	$2,745	$2,360	$2,039	$1,743	$1,530
2. Eckerd	7/28/84	2,622	2,325	2,080	1,752	1,408
3. Revco	6/2/84	2,228	1,792	1,554	1,310	1,092
4. Rite Aid	6/2/84	1,446	1,223	1,049	1,066	944
5. Longs	1/31/85	1,376	1,214	1,223	1,005	893
6. Thrifty	8/31/84	1,299	1,187	1,126	1,054	949
7. Pay Less NW	1/31/85	925	852	784	758	750
8. Perry	10/31/84	373	285	244	192	136
9. Fay's	1/31/85	367	312	270	238	243
10. Hook	12/31/84	351	320	285	261	235
11. Genovese	2/1/85	220	193	158	134	122
12. Big B	2/2/85	148	116	87	N.A.	N.A.
13. Medicare-Glaser	3/31/84	77	69	57	N.A.	N.A.
14. Begley	3/31/84	61	56	49	47	42
15. Rix	9/1/84	39	34	31	30	29

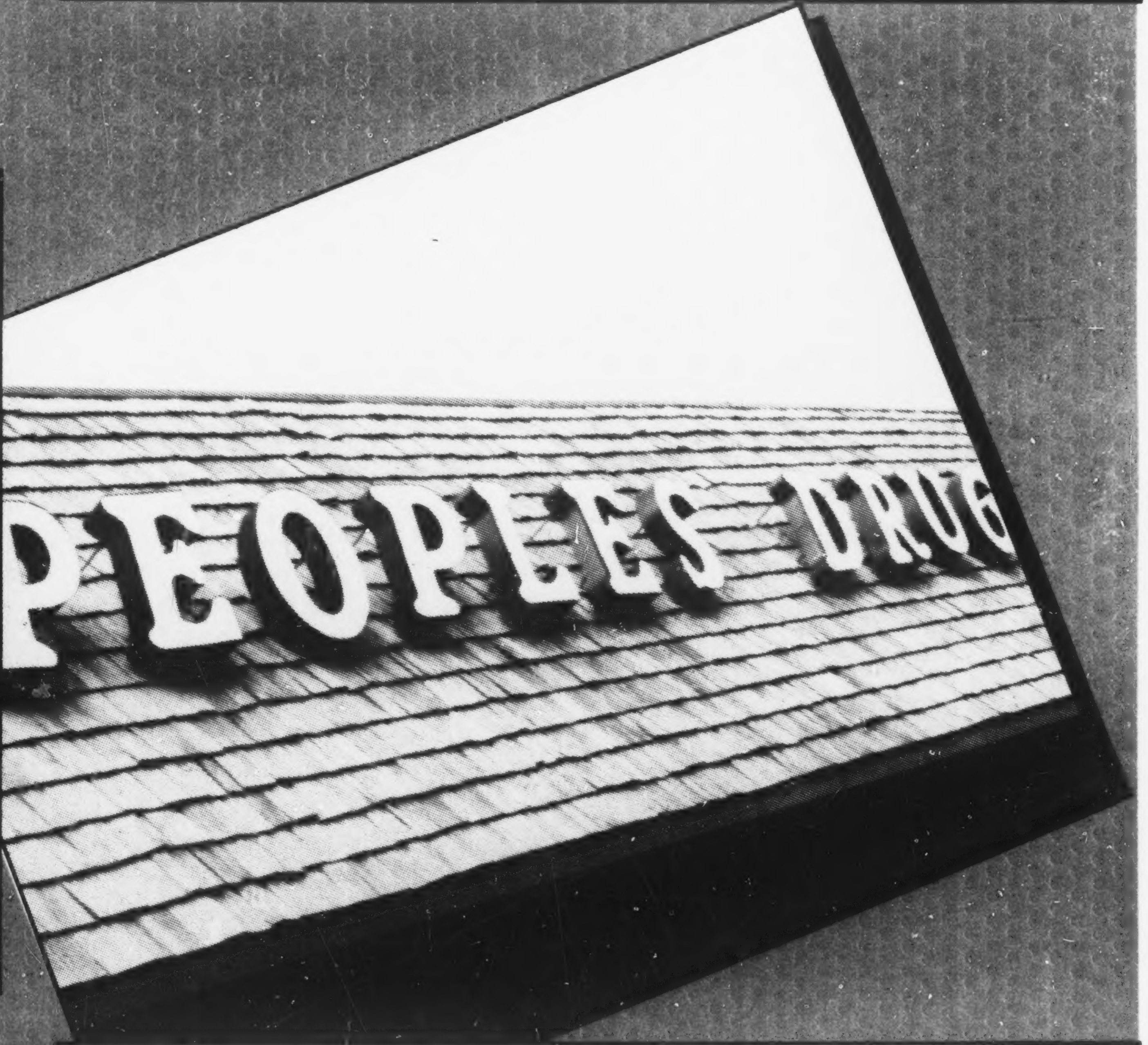
+ Restated to reflect Super Rite offering

Drug store units

Company	'84	'83	'82	'81	'80
1. Revco	1,778	1,661	1,593	1,514	1,247
2. Eckerd	1,423	1,319	1,238	1,135	1,045
3. Rite Aid	1,275	1,148	1,055	963	878
4. Walgreens	1,002	941	833	821	739
5. Thrifty	542	537	533	534	529
6. Hook	298	288	272	257	257
7. Longs	191	178	173	162	149
8. Pay Less NW	162	149	147	143	144
9. Perry	146	122	125	117	97
10. Fay's	125	102	92	84	111
11. Big B	114	99	83	N.A.	N.A.
12. Rix*	34	33	34	35	38
13. Medicare-Glaser	101	101	89	N.A.	N.A.
14. Genovese	77	72	66	61	58
15. Begley	45	43	47	51	50

*Rix also operates 73 drug store departments within department stores

SUPER X DRUGS
SUPER X BRAND - THE "CENTS-IBLE" CHOICE!



Sales per average store
(add 000)

Company	'84	'83	'82	'81	'80
1. Longs	$7,203	$6,823	$6,493	$6,206	$5,995
2. Pay Less NW	5,709	5,724	5,338	5,304	5,000
3. Fay's	2,934	3,062	2,938	2,836	2,190
4. Genovese	2,861	2,691	2,404	2,199	2,103
5. Walgreens	2,609	2,379	2,179	1,911	1,910
6. Perry	1,983	2,012	1,954	1,641	1,406
7. Thrifty	1,529	1,507	2,113	1,975	1,795
8. Eckerd	1,578	1,521	1,462	1,413	1,348
9. Big B	1,299	1,182	1,053	N.A.	N.A.
10. Revco	1,253	1,079	976	866	876
11. Hook	1,178	1,113	1,049	1,016	916
12. Begley	1,022	1,010	802	712	663
13. Rite Aid	1,017	1,066	938	871	849
14. Medicare-Glaser	760	690	651	N.A.	N.A.
15. Rix*	360	1,052	929	844	764

Sales per store reflect averages for drug stores only.
*This year Rix leased departments were also used in the sales per outlet calculation.

Net income+
(add 000)

Company	'84	'83	'82	'81	'80
1. Revco	$93,411	$66,470	$49,638	$45,129	$38,916
2. Walgreens	85,446	69,789	56,064	42,127	34,813
3. Eckerd	85,374	71,731	70,681	78,510	69,254
4. Rite Aid	69,936	62,167	49,885	39,852	35,885
5. Longs	40,094	36,387	30,890	30,274	25,862
6. Pay Less NW	28,790	24,721	19,375	16,649	14,317
7. Thrifty	27,921	22,503	18,302	17,752	14,745
8. Fay's	8,679	8,103	5,479	3,071	923
9. Hook	8,122	8,699	6,592	5,853	7,318
10. Perry	7,650	4,545	2,868	3,369	2,363
11. Big B	4,442	3,471	2,541	N.A.	N.A.
12. Genovese	4,137	3,856	2,646	1,780	516
13. Medicare-Glaser	2,952	970	76	N.A.	N.A.
14. Begley	733	807	229	798	963
15. Rix	388	227	102	179	250

+ Excludes income from special nonoperative sources

1985 drug chains financial scorecard

Gross margin %

Company	'84	'83	'82	'81	'80
1. Medicare-Glaser	34.2%	33.1%	33.2%	N.A.	N.A.
2. Hook	34.0	34.3	33.9	33.6%	35.2%
3. Begley	33.9	33.4	31.0	32.0	31.8
4. Perry	31.1	29.9	29.8	29.8	30.4
5. Walgreens	30.7	30.6	30.5	29.3	29.5
6. Genovese	29.7	29.9	29.9	29.8	29.9
7. Pay Less NW	N.A.	28.8	28.7	27.4	26.7
8. Eckerd	29.4	28.3	28.7	29.3	29.2
. Rite Aid	29.3	28.2	27.1	22.6	23.1
0. Big B	29.3	29.8	29.6	N.A.	N.A.
11. Thrifty	28.6	28.2	27.9	27.4	26.7
2 Revco	28.1	27.1	27.0	26.7	26.6
Fay's	25.5	25.6	24.9	25.3	23.5
4. Longs	24.0	24.6	24.1	24.1	23.4
15. Rix	7.7	7.1	7.6	6.5	9.2

Net-To-Sales Ratio

Company	'84	'83	'82	'81	'80
1. Rite Aid	4.8%	5.1%	4.8%	3.7%	3.8%
2. Revco	4.2	3.7	3.2	3.4	3.6
3. Medicare-Glaser	3.8	1.4	0.1	N.A.	N.A.
4. Eckerd	3.3	3.3	3.4	4.5	4.9
5. Walgreens	3.1	3.0	2.7	2.4	2.3
6. Pay Less NW	3.1	2.9	2.5	2.2	1.9
7. Longs	2.9	3.0	2.8	3.0	2.3
8. Big B	2.9	3.0	2.9	N.A.	N.A.
9. Fay's	2.4	2.6	2.0	1.3	0.4
10. Hook	2.3	2.7	2.3	2.2	3.1
11. Perry	2.1	1.6	1.2	1.8	1.7
12. Thrifty	2.1	1.9	1.6	1.7	1.6
13. Genovese	1.9	2.0	1.7	1.3	0.4
14. Begley	1.2	1.4	0.5	1.7	2.3
15. Rix	1.0	0.7	0.3	N.A.	0.9

Expense ratio +

Company	'84	'83	'82	'81	'80
1. Rix	5.1%	5.4%	5.9%	6.1%	5.9%
2. Revco	19.1	19.0	19.6	19.3	19.1
3. Rite Aid	17.5	19.9	16.2	13.7	13.6
4. Fay's	20.2	19.5	19.4	21.0	20.9
5. Thrifty	20.8	22.3	22.4	21.8	21.8
6. Pay Less NW	N.A.	20.8	22.1	20.6	20.0
7. Eckerd	21.5	21.0	21.1	20.6	20.6
8. Big B	23.2	23.7	24.1	N.A.	N.A.
9. Walgreens	24.1	24.4	25.1	25.0	24.5
10. Genovese	24.7	25.0	25.3	26.0	25.2
11. Perry	26.2	25.9	26.1	25.5	26.1
12. Hook	28.0	27.8	28.0	27.4	27.4
13. Medicare-Glaser	28.9	28.3	30.1	N.A.	N.A.
14. Begley	44.8	42.7	37.8	40.1	38.9

+ Excludes depreciation and amortization costs.

Return on investment %

Company	'84	'83	'82	'81	'80
1. Medicare-Glaser	27.9%	21.6%	1.8%	N.A.	N.A.
2. Revco	22.7	20.2	17.4	18.3%	19.1%
3. Walgreens	22.3	21.4	18.7	16.8	16.8
4. Rite Aid	20.6	21.3	19.1	18.3	18.9
5. Pay Less NW	20.2	20.9	18.1	18.2	19.8
6. Thrifty	19.3	17.4	15.0	15.0	13.7
7. Genovese	19.3	21.3	16.1	12.6	4.5
8. Hook	17.2	20.3	16.2	15.4	20.2
9. Big B	15.9	14.6	11.5	N.A.	N.A.
10. Fay's	15.6	20.8	23.4	14.7	5.0
11. Eckerd	14.4	13.1	13.3	16.8	18.1
12. Perry	12.7	11.5	11.2	14.4	11.6
13. Rix	8.3	4.9	2.3	N.A.	5.4
14. Begley	7.5	8.6	2.5	8.1	9.0

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Computer technology improves

Pharmacy computers took a quantum leap in 1984 with an expansion in their versatility and continuing reduction in cost.

Pharmacy computer systems, introduced in the late 70's, have steadily improved over the past five years. Increased memory, more sophisticated software and a miniaturization of hardware are credited as being major factors in the 80's for what some manufacturers are calling "third-generation" systems.

"We reached a turning point in 1984," said Bill Lockwood, president and publisher of *ComputerTalk*. "The price of a computer system is now cost-justified. There is no excuse not to purchase a system."

Last year, several drug chains announced tests of fully integrated pharmacy/store management systems. Now, not only will the computer handle the routine tasks of filling prescriptions and preparing patient profiles, but also inventory control, point-of-sale purchases, automatic ordering and a host of other electronic applications necessary in evaluating store operations.

Until now, pharmacy computers have concentrated on automating only the pharmacy, and, for the most part, have been a success. The new systems introduced in 1984 have taken that a step further by automating other departments throughout the store and feeding all the information through the pharmacy system.

One major feature of the new systems is the ability to communicate with a host computer. Data can be transmitted via telephone lines and collected at a central location for interpretation. Third-party claim submissions can be done by the main office instead of individual pharmacies for more accurate and faster reimbursement.

While industry experts agree that inventory control and analysis of gross profits through point-of-sale scanning technology is still a year or two away, several chains began testing in 1984.

Pay Less NW was one of the first chains to fully integrate its pharmacy system with the rest of the store, and Rite Aid is also testing an integrated front-end computer management system in several stores.

While there has been a flurry of activity in the high-tech computer business, POS and scanning technology is expected to go through the same growing pains the pharmacy computer system experienced.

"Many are taking the same 'wait-and-see' attitude," said ComputerTalk's Lockwood, "but rest assured, the industry is on its way to even greater sophistication in computer technology."

Aside from the pharmacy/management benefits derived from computers in chain stores, retailers are realizing that the computer systems make excellent marketing tools.

In advertisements to their customers, chains emphasize the computer in cutting down waiting time for prescriptions. The pharmacist does not have to look up prescriptions in a book. By merely pushing several keys, he can view the patient's entire prescription history.

In addition, the chains advertise the fact that a listing of prescriptions is available to customers for any period of time, especially during tax season. And even the pharmacist's professionalism is heightened with the advent of drug interaction databases.

At least one company is concentrating on increasing the marketing capabilities of its pharmacy computer system. In its latest version, the pharmacist can access a word-processor built into the computer and merge letters to a particular group of customers he wants to reach.

Another feature is the production of a multicolored label, making reading prescription labels easier for the elderly or sight-impaired.

And finally, computers have been shown to lessen the pharmacist's stress while filling prescriptions.

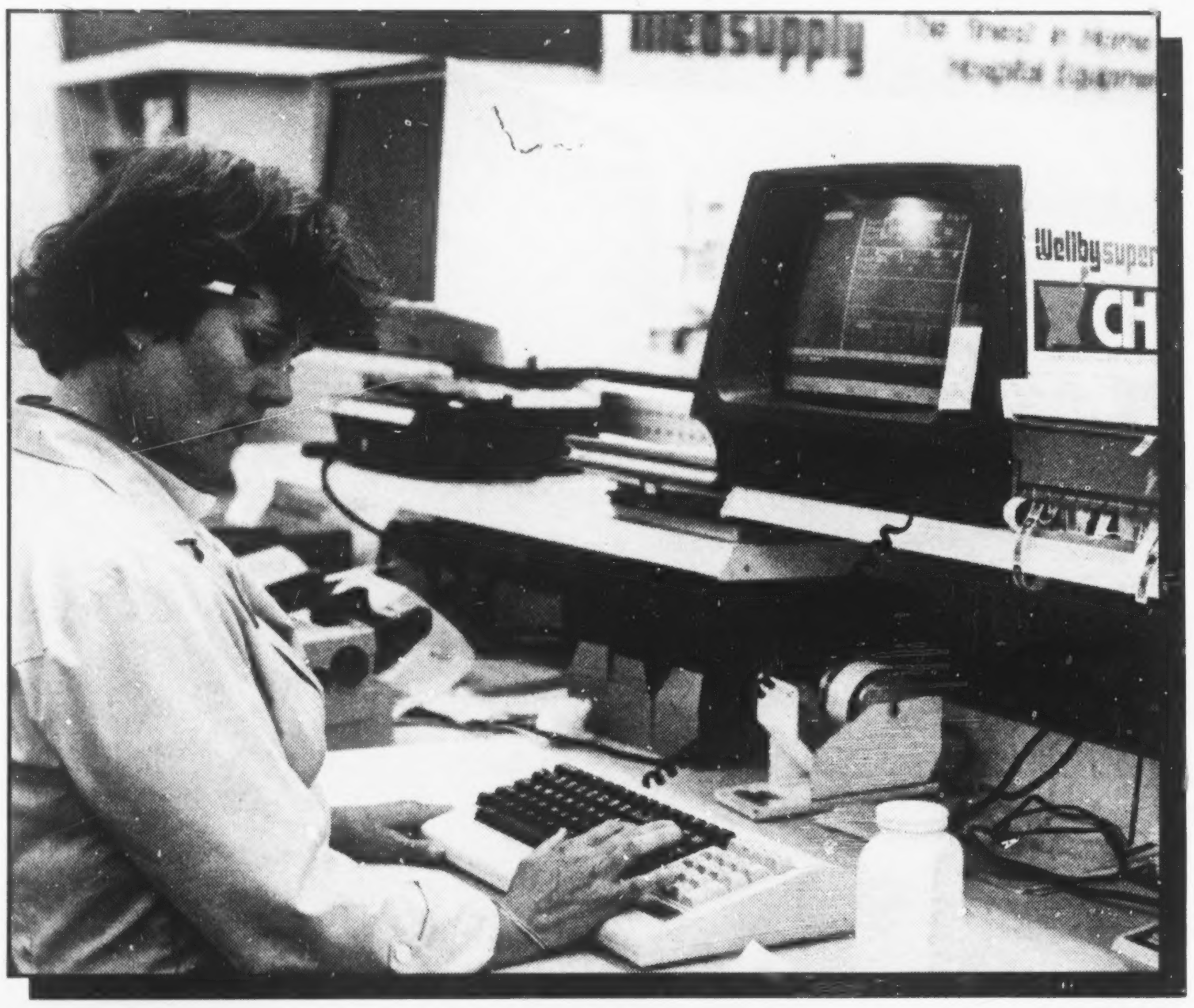
Because of the computer's speed, the pharmacist can fill more prescriptions faster, allowing him to spend more time consulting with patients. The computer eliminates writing third-party claim forms by hand and allows pharmacists to maintain better control over inventory.

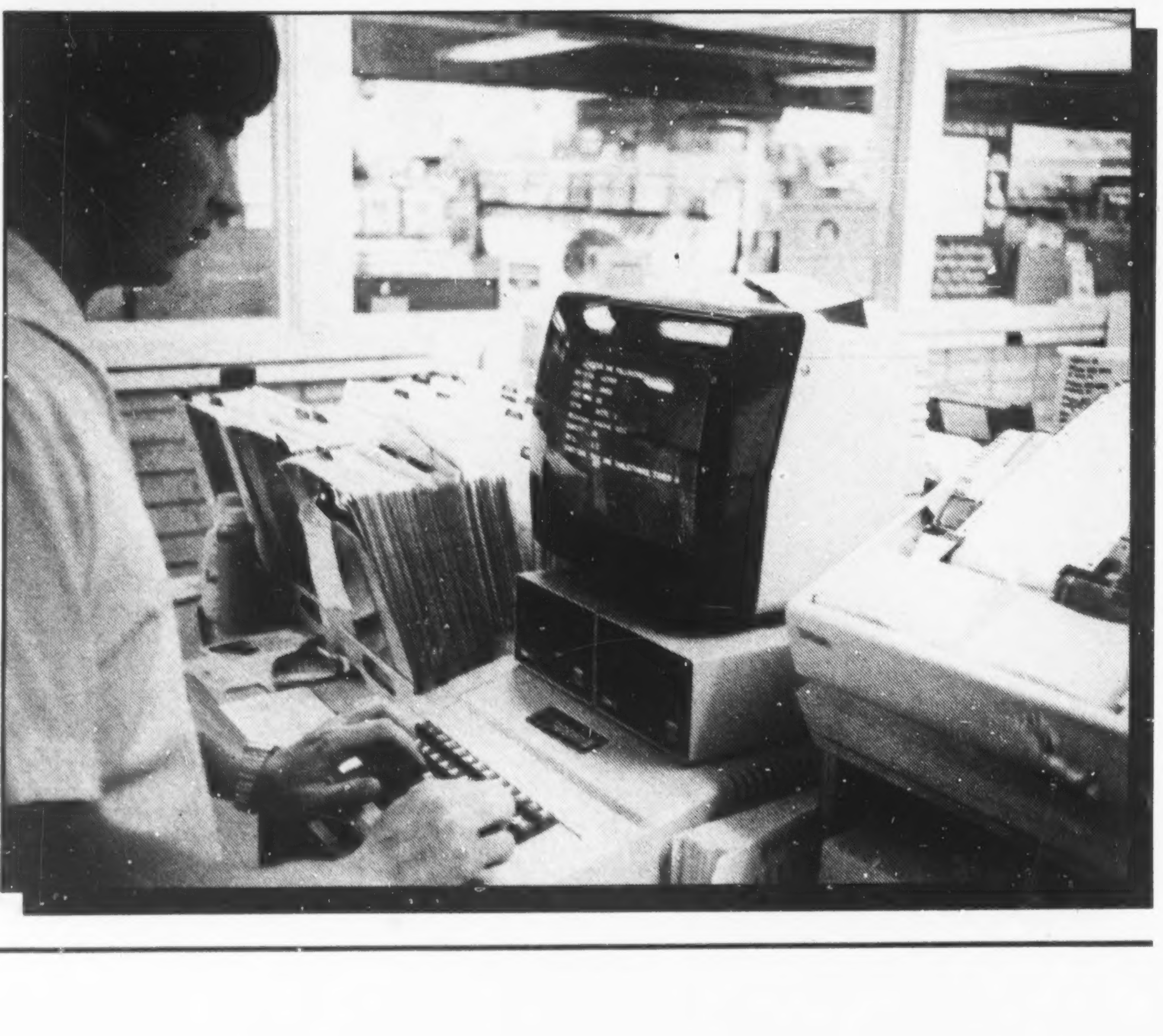
Status of Rx computers in chain drug stores

Company	1984 Rx computers in use	% of total stores	1985 Estimated total installations	Estimated % of total stores
Walgreens	991	98	1,102	100
Eckerd	400	28	900	40
Thrift	346	93	n.a.	n.a
Revco	260	15	560	29
Medicine Shoppe	185	38	210	33
Peoples	180	24	n.a	n.a
Pay Less NW	164	100	—	100
Hook	144	42	244	77
Fays	119	100	139	100
Rite Aid	100+	8	n.a.	n.a.
Big "B"	99	100	—	100
Longs	75	39	n.a.	n.a.
Medicare-Glaser	72	71	91	75
Shoppers Drug Mart	65	15	n.a.	n.a.
Carl's	42	100	50	100
Genovese	60	78	n.a.	n.a.
Kerr	47	100	—	100
++Standard	40	100	46	100
Taylor	28	61	n.a.	n.a.
Harco	18	34	38	64
CVS	17	5	117	33
Sentry	16	100	18	100
Bartel	14	54	15	56
Douglas	10	100	18	100
Tiffany Davis	10	100	—	100
Ribordy	9	35	n.a.	n.a.
Crown	9	56	19	100
Super X	8	14	22	35
La Verdiere's	5	9	n.a.	n.a.
Begley Drug	4	8	n.a.	n.a.
White Drug	4	12	n.a.	n.a.
Medi Mart	2	3	17	26
Duane Reade	2	8	n.a.	n.a.

++65% of all Standard stores have pharmacies.

Source: *Drug Store News* survey





1985 Annual Report of the Chain Drug Industry

More chains try deep discounting

Deep-Discount Drug Stores
(Operated by traditional drug chains)

Company	HQ	Name of deep-discount store division	No. of stores in operation	Average size (sq. ft.)	Estimated per store volume (millions)
American Stores Drug Division	Salt Lake City	FAD	1	31,000	$18
Revco	Twinsburg, Ohio	Get It For Less	2	23,000	$10
Shoppers Drug Mart	Toronto	*Howie's	2	18,000	$8 to $10
		Carnaval	1	18,000	$8 to $10
Pay Less NW	Wilsonville, Ore.	Value Giant	3	30,000	$12 to $15
Peoples	Alexandria, Va.	Bud's	1	35,000	$8 to $10
Rite Aid	Shiremanstown, Pa.	Drug Palace	3	20,000	$6 to $8
Perry	Pontiac, Mich.	A. L. Price	2	20,000	$8 to $10
Fay's	Liverpool, N.Y.	Jay Jay's	1	38,000	$10
SupeRx	Cincinnati	Superxtra	3	20,000	$6 to $8
Medicare-Glaser	St. Louis	Meg's	1	25,000	$8 to $10
CVS	Woonsocket, R.I.	Freddy's	2	25,000	$12
Ribordy	Valparaiso, Ind.	R-Way	1	20,000Est	$6 to $8
Keystone	Omaha	Right Price Drugs	1	18,000Est	$6
Genovese	Melville, N.Y.	Best Buys	1	20,000Est	$8 to $10
Brown Drug	Springfield, Ohio	Drug Castle	1	20,000Est	$6 to $8
Drug Fair of N.J.	Somerville, N.J.	Cost Cutter	3	18,000	$6 to $8
Dart Drug	Landover, Md.	Total Plus	5	19,000	$4 to $5
Standard Drug	Richmond, Va.	More For Less	1	3,000	$800,000

*Howie's is the name for SDM's deep-discount drug stores located in English speaking markets in Canada. Carnaval is the name for the same concept located in French speaking markets.

Source: *Drug Store News* survey

The deep-discount drug field grew more crowded last year as major drug chains, food, discount and specialty retailers entered the multibillion-dollar business.

Although the deep-discount format continues to attract independent entrepreneurs, more and more of the nation's largest retailers have taken notice of the phenomenon. To be sure, the entry of such retail giants as the Melville Corp., Supermarkets General Corp. and F. W. Woolworth are altering the face of deep-discount drug retailing.

Last summer, the Melville Corp., in a surprise move, became the first major corporation to enter the deep-discount business by **acquiring** an independently operated store. The purchase of Freddy's deep-discount store in Rochester, in a deal worth an estimated $2 million, was viewed as a test project for Melville.

However, it wasn't long before the test was expanded. A second Freddy's was scheduled to open in Rochester this month. In addition, as many as four more units are said to be in the planning stages.

Only a year ago, Supermarkets General, operators of Pathmark supermarkets and drug stores, had yet to open its first deep-discount drug store. It now ranks as one of the biggest deep-discount operators.

In midsummer, the company opened a deep-discount drug store in Baltimore. Two more Pathmark Super Drug deep-discount stores were subsequently opened in that market.

At about the same time the first Pathmark Super Drug was opening, Supermarkets General acquired 10 Heartland deep-discount stores, New England's leading discount chain, as part of the purchase of Purity Supreme, owners of Heartland.

The company intends to aggressively expand both the Heartland and Pathmark Super Drug Stores over the next two years.

Major retailing behemoths weren't the only ones to enter the high-flying deep-discount business via the acquisition route. Fay's Drug purchased the Syracuse-based Jay Jay's store from S. M. Flickinger Co.

Markets limited

The driving force behind the rush to open deep-discount stores is the fact that most major markets around the country can only support a limited number of these stores, which can produce up to $20 million in sales a year. Chains and independents are in a race to establish themselves in their markets before the competition does.

One such race is under way in the Philadelphia-southern New Jersey market. Drug Emporium, the nation's largest chain of deep-discount stores, plans to open as many as 20 deep-discount units there over the next 18 months.

F. W. Woolworth Co. will join the ranks of the deep discounters when it premieres its first low-margin drug store called the Rx Place in southern New Jersey. Three more Woolworth deep-discount stores may be opened in the Philadelphia area in 1986.

Meanwhile, in northern New Jersey, Community Distributors, operators of Drug Fair of New Jersey drug stores, created a big splash by opening five deep-discount drug stores called Cost Cutters in the last 12 months.

Baltimore has been another hotbed of activity for the deep discounters. In addition to Pathmark's entry to that market, Peoples Drug Stores opened its first Bud's Deep-Discount Drug Store & More in Greenbelt, Md., outside of Washington, D.C. A second Bud's is planned for Indianapolis

Price battle

In fact, competition heated up in the Baltimore market to the point that a price war erupted with Giant Foods slashing prices on greeting cards, cosmetics, health & beauty aids and in a number of other core drug store categories. Safeway also cut prices on drug store items in its stores in the Baltimore and Washington markets.

The threat of deep discounters taking market share has sparked price wars in other markets around the country.

Revco D.S., which operates two Get It For Less deep-discount stores of its own in Memphis and Minneapolis, reduced prices up to 40% on 3,000 health & beauty aids in 230 stores in six markets. The action was taken, according to Marc Dworkin, the chain's executive vp, marketing, in order to make a "statement" to the "deep discounters, the food and drug combo stores, the mass merchandisers, to anyone who's been using traditional drug store products to build a low-price image."

Fay's Drug rolled back prices in Rochester in response to the opening of the second Freddy's. Fay's price cuts were instituted in 25 stores and involved more than 8,100 sku's.

The chain drug industry's knee-jerk response to the growth of the deep discounters comes at a time when more of the conventional chain operators are rolling out deep-discount stores of their own.

In addition to Peoples and Fay's, several other drug chains entered the deep-discount business last year. Among the new players: American Stores' FAD, Pay Less NW's three Value Giant stores and Medicare Glaser's Meg's. They join a long list of chains, including Perry Drug, Shoppers Drug Mart, SupeRx and Ribordy, which are already operating deep-discount stores.

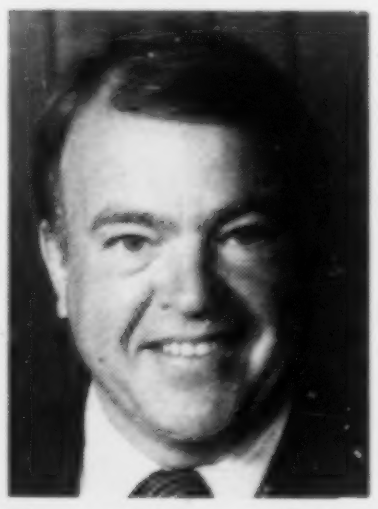
ET IT FOR LESS,
shampoos
AVE UP TO 50%
2
GET IT FOR LESS,
oral hygiene
SAVE UP TO 50%
3
GET IT FOR LESS
GET IT FOR LESS

PERFORMANCE

1985 Annual Report of the Chain Drug Industry

Drug chain execs look to the future

Charles R. Walgreen III
chairman, ceo
The Walgreen Co.



In 1985, Walgreens will continue to run convenient, customer-oriented, profitable drug stores across the nation. We project 100 new stores for the year, chiefly within our existing major markets. Finding quality locations for those stores is perhaps our biggest challenge. Our success will be based on flexibility—our 10,000- to 15,000-sq.-ft. store size allows us to take advantage of every kind of location, from densely populated downtowns to neighborhood corners to suburban strip centers.

Store management development is another top priority. Our objective is to attract and train competent managers who also will be leaders that will recognize the importance we place on the entrepreneurial spirit.

Other challenges? The continued computerization of our stores and further productivity improvements in the distribution centers.

The U.S. Commerce Department forecasts a 10% increase in drug store industry sales for 1985. Based on past performance, Walgreens should do even better. We're not a company hungry for diversification. We think our drug store industry has plenty of potential.

Denis Ribordy
president
Ribordy Drugs

There will be a great deal of proliferation of drug/food combos and of deep-discount box stores in the next decade. The one-stop convenience of combo units gives them a competitive edge. The appearance of combos in a marketplace will greatly reduce the number of strip centers with grocery anchors for drug store locations. We are going to have to look at freestanding stores and small strip centers where we are the anchor. The price pressure from mass merchandisers and deep-discount stores will compress margins even more.

Changes in the health care delivery system will have a tremendous impact on us in the future. HMO's and preferred provider organizations will capture most of the prescription markets.

Cost containment in hospitals is a whole new game for them. To compensate, hospitals will go into more and more outpatient services and off-site satellites and centers. They will aggressively seek outpatient prescription business. If pharmaceutical manufacturers continue their two-tier pricing, it will put chains at a severe cost disadvantage. Cost containment and DRGs and PPOs will also encourage physicians to dispense prescriptions as a means to supplement their income.

Large chains will have the resources to withstand these challenges. Large chains' drive for market share and market dominance will also have a big impact on small chains. Small chains are going to have to be innovative, aggressive and very cost-conscious to remain viable in the next decade.

Marc Dworkin
executive vp
Revco Drug Stores

Nineteen eighty-five will be a very competitive year. The challenges we face will not only come from within our own industry as we compete for increased market share, but also from supermarkets and mass merchandisers, which are adding an increasing number of pharmacy departments. The industry's challenge is: How do we take these negative points and turn them into positives?

Jack A. Robinson
chairman and ceo
Perry Drug Stores

In 1985, I expect the retail industry to continue to experience healthy growth, although I don't expect it to equal the record achieved during 1984.

The economy as a whole began the year on an upbeat note and prospects look bright for continued growth throughout the year. Inflation has been tamed and economists expect it to remain under control. Prices are reined in, unemployment is stable, and new jobs are being created giving consumers ample buying power. For retailing, which has historically been responsive to economic growth, these are positive signs for the industry's future. I believe retailers should enjoy continued strong sales and increased earnings during 1985, although perhaps not quite as vigorous as last year's. They should also benefit from stable wholesale prices and wage levels.

Optimistic economic indicators aside, if retailers wish to maintain steady growth, they must remain alert to changes in the industry. They must continually be responsive to industry marketing trends and to technological advances, such as point-of-sale equipment or pharmacy computer systems, which affect the way retailers have traditionally operated.

I expect that the industry will be responsive as it has always been and that retailing should enjoy a good, although not exceptional, year in 1985.

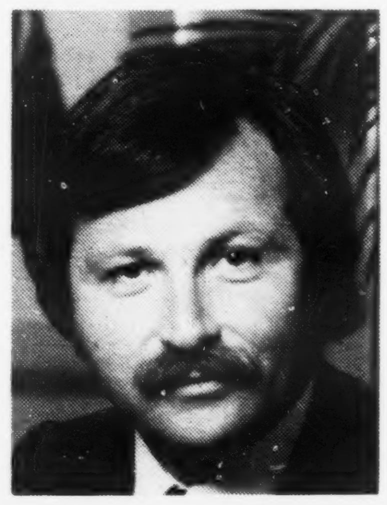
Stewart Turley
chairman and ceo
Jack Eckerd Corp.

The chain drug industry will benefit from continuing consumer confidence, rising employment and a healthy economy. Although there is increasing competition, drug stores that adapt to meet the changing lifestyles of consumers will continue to grow.

While consumers are price-conscious, they have a keen interest in the quality of products and services they purchase and the availability of convenient shopping. These are the keys to the industry's relationship with the consumer. We must continue to offer customers good value, convenience and a wide variety of products to meet their changing health and general merchandise needs.

Through innovative changes as well as a focus on the basics of retailing—buying and selling—we anticipate very positive growth opportunities for Eckerd drug stores.

David R. Bloom
president and ceo
Shopper Drug Mart



Nineteen eighty-four saw dramatic changes in the Canadian political, economic and business environment. With the new Federal government in Ottawa, inflation down to below 5% (from almost 11% just two years earlier) and a relatively optimistic business climate, a more positive trend has developed in the Canadian marketplace.

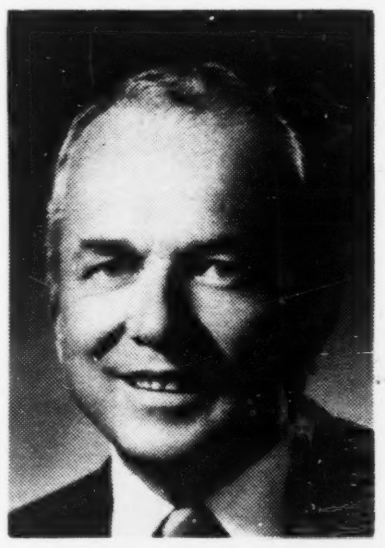
Shoppers Drug Mart thrives with this new confidence and changing environment and continues to march in the front ranks of our industry in terms of sales growth, return on investment and profitability.

Perhaps our greatest boost came with the acquisition by our parent, Imasco Limited, of the Peoples Drug Store chain in the United States. The synergistic effects of that relationship are already being felt by both corporations.

With the dramatically changing competitive arena, because of the increase in food/drug combo stores and off-price discounters, we are currently repositioning our company to reinforce our price and convenience image to the consumer. Programs such as C.A.R.E. (Customers Are Really Everything) serve as a key strategy to reinforce the caring feeling among all our staff, both at a store, regional and corporate level. It has proved to be a resounding success, especially at the prescription department.

We continue to believe that Shoppers Drug Mart will be well positioned for the balance of this decade because Shoppers Drug Mart Limited will be comprised of four major concepts—Shoppers Drug Mart prototype, Shoppers Drug Mart Plus, Shoppers Drug Mart Health Care Centre and Howie's—our off-price stores. Each concept targets in at a specific market segment. Each concept will enjoy great growth over the years to come.

Tony J. Crncich, B. Sc. Phm.
ceo
Big V Pharmacies Co. Limited



We at Big V Pharmacies Co. Ltd., a regional drug chain of 72 pharmacies in southwestern Ontario, Canada, have found business to have held up nicely through 1984.

Prescription volume appeared to grow somewhat faster than front shop, although a 17% overall sales increase was most acceptable for our company.

Like many others, we are in the process of examining and experimenting with POS systems. We continue to expand at a rate of about 10% of our existing stores annually.

The retail drug industry in our area of Canada is quite competitive and active. We are experiencing the introduction of warehouse stores and expect these may have some effect on our front-shop business for a period of time where we have nearby stores.

We also are watching the major food retailers who are adding pharmacies into their huge stores.

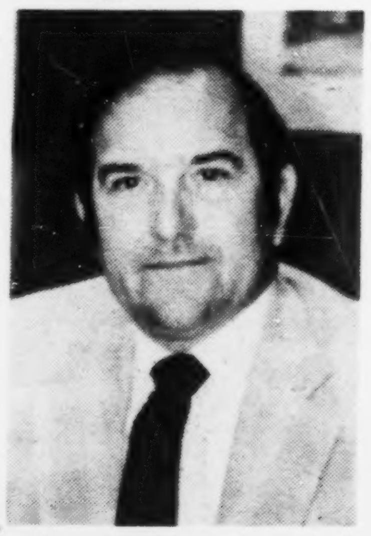
The success rate for these types of pharmacies has not been very good over the past few years in our particular areas, but we are quite aware of their presence and are maintaining very aggressive promotional programs.

Our locations, being full service community neighborhood pharmacies with good prescription volumes, seem to insulate us somewhat from the effects of these larger impersonal stores.

We hope to continue our fairly rapid expansion program, both in our existing areas and also in newer areas adjacent to our present operations.

Industry execs look to the future

Donald D. Beeler
president
Snyder's Drug Stores



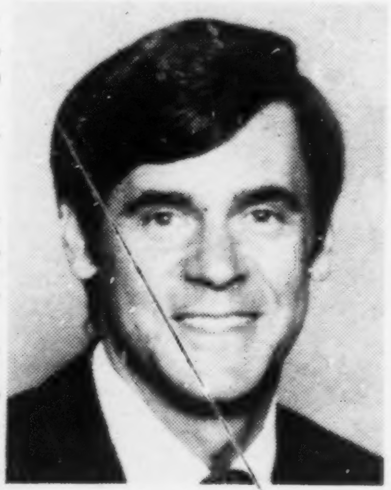
Certainly the implementation of state-of-the-art information systems has a top priority in our chain. We see these as a must for improved productivity and decision making.

Chain druggists in our upper midwest market area have two concerns as they relate to future sales and profits.

1) The increased market share that grocery stores are achieving in the H&BA category. This is magnified in our major markets with very competitive deep discounting by four major grocery chains—Cub Foods, Country Stores, Rainbow Foods and Holiday Foods. The cost-plus competitive pricing of these major grocers in the H&BA categories reflects directly in the lack of success of the deep-discount drug stores in this area.

2) A farm economy that is in deep trouble and does not appear to have any chance of recovering in the near future. All of our corporately owned and independent retail associate stores are affected by this downturn. It is apparent to us that increased sales will have to come from increased market share—from all segments of competition. We have plans in place to achieve this and are very optimistic about the future of Snyder Drug in our marketing area.

James I. Harrison Jr.
president
Harco Drug Inc.



At Harco, we are basically "bullish" about the balance of 1985.

We are expecting a fairly stable economy with interest rates holding a reasonable line for the balance of the year and, hopefully, into the first half of 1986.

The initial months of the year have shown strength and we believe and hope that the trend will continue throughout the balance of the year. We are buying for a strong fourth quarter of the year in expectation of a good Christmas selling season.

The challenges for the year will be a mounting shortage of pharmacists as well as a growing downward pressure on gross profit margins as we see more and more "players" in the game and new formats, such as "deep discounters."

We expect to be adding more sophistication and productivity to our stores in the balance of the year, with a continued expansion of pharmacy computers in our stores and a look at the potential for us of POS terminals.

All in all, we expect our company to perform very well in 1985—helping to establish a strong base for the balance of the decade.

Bob Begley
chairman & president
Begley Drug Stores

I see in '85 a year of controlled growth by drug chains. There will continue to be some caution exercised by ceos because market share will continue to be hard to increase. The reason is there continues to be competition in the marketplace. Interest rates will go up in the fourth quarter—I am fairly concerned about increased rates in '86. I suspect many chains, mass merchandisers and groceries will make '85 and some of '86 a year of increased profit margin, rather than unit growth and volume. Most chains will be successful in improving profit margins and solidifying existing market shares.

Jim Salmanson
vice chairman
Adams Drug

There is no question that there are substantial challenges in the year ahead. The competitive climate I don't think has ever been greater. Competition is coming from three specific areas. It's not only coming from within the chain drug industry, it's coming from the supermarkets and combo operators and the deep discounters.

All of this combined is putting pressure on the industry. It is making it more difficult to find locations and the overall competitive factors in the marketplace are putting a squeeze on profit margins.

Everybody has to be aware of the situation. There must be some type of focus in our strategic plans. We have to look at what's going to have the biggest effect on the bottom line. There must be a blend of the proper buying with thoughtful merchandising, along with a high level of customer service. This blend can be achieved, but it requires the very special attention of management to communicate these objectives to their people.

Exec shifts: both smooth and turbulent

The chain drug industry witnessed some major management shifts last year, not all of them smooth exchanges of managerial power.

There was, for example, the situation at Revco. The Board of Directors at the Twinsburg, Ohio-based chain, headed by Sid Dworkin, finally got fed up with the pot shots taken at the company by the heads of its Odd Lot subsidiary, Bernard Marden and Isaac Perlmutter.

Although the two execs held a 12% interest in the company as a result of Revco's Odd Lot buyout, they were fired and replaced by Leo Kaye and Stephen Adler. Kaye, who had been president at Americore Ltd., would later resign for personal reasons and be replaced by Peter J. Laitmon, a vp at Media General.

Also experiencing some turbulence in the executive suite was Gray Drug Fair. Last summer, Gray parent Sherwin-Williams named Mac Allen Culver president and general manager of the drug chain after an eight-month executive search.

Culver, who had been a senior vp at Pay Less and an expert in merchandising and distribution, stunned everyone when he suddenly resigned six months after his appointment and took a job as president of Pay 'n Save's Northwest drug division.

By all accounts, Sherwin-Williams was pleased with the job that Culver was doing; the resignation had more to do with Culver's wish to return to his home in the Northwest. Carl Bellini, group vp at Sherwin-Williams, was again pressed into service as president of Gray Drug Fair. Bellini had headed the chain during the eight months before the hiring of Culver.

Somewhat smoother was the transition at Jewel Cos. after its acquisition by American Stores. Warren Christopherson, chairman and ceo of Jewel, resigned just after the $1.2 billion deal was completed, but Jewel president Richard G. Cline took over as chairman and ceo to preside over the transition. He would later resign, but told Drug Store News: "The transition has gone very, very well."

There were other shifts that took place at the newly enlarged American Stores Co. in the wake of the acquisition. The most important of these was the quiet promotion of Osco Drug president Dick George to head up the Sav-On Drug operation. Larry LaRock, who had been president of Rea and Derick, American's Pennsylvania-based drug chain, was also moved to Sav-On to shore up that operation.

American plans to consolidate its drug divisions into a single national chain, and George is reportedly slated to head up that operation.

To replace LaRock at Rea and Derick, Peoples chose Jim Johnson as division president and chief operating officer and Jon E. Rudden as vp and general merchandise manager.

There were other major changes in drug chain executive suites during the year, including the following:

Sheldon (Bud) Fantle, president and ceo of Peoples Drug Stores, was named chairman of Peoples by Imasco Ltd., which had acquired the Alexandria, Va.-based chain earlier. Fantle, a 39-year industry veteran, was also named to Imasco's board.

Tom Field, president of American Stores, left American to become president of McKesson, replacing Thomas Drohan, who died. The move startled the industry, since Field was being touted as Sam Skaggs' heir apparent, but Field apparently had a timetable of his own for heading up a major corporation.

Larry Rogers, senior vp of Acme Markets, an American Stores subsidiary, was named president of Skaggs Alpha Beta, the fast-growing combination store division.

Jack Futterman, senior vp of the drug store division and general merchandise operations at Supermarkets General (Pathmark), was named president and ceo of drug stores and nonfoods division. The drug store division had been enlarged by the acquisition of Purity Supreme, which operated Pharmacity and Heartland drug operations.

Donald H. Benovitz was appointed president of Medi Mart, replacing Phil Hiscock, who went to Sav-A-Stop/Hanes D.S.D., the service merchandising company, as president. Benovitz had been vp of professional relations.

Jack Evans Jr. became president of Tom Thumb Page, replacing Tom Hairston, who was promoted to chief operating officer of the Cullum Companies, parent of Tom Thumb Page. Hairston took the spot of Jack Evans Sr., who was promoted to ceo of Cullum.

Micky Cole, a veteran at Perry Drug Stores, was named president of Perry's drug store division.

Other appointments included the following:

Peter M. Alexander was named chairman and ceo of B. H. Krueger, the manufacturing subsidiary of Peoples Drug Stores.

Al Travis was appointed vp of advertising at Fay's Drug Company.

New products, promos push up sales

New products and heavier promotional activity helped propel 1984 chain drug sales to $25.5 billion, 12% higher than in the previous year.

Among the leading product departments were pharmacy, toiletries, cosmetics, stationery and photo, all of which had growth rates higher than the industry as a whole.

What follows is a breakdown of those departments and how they performed last year.

Prescriptions—The number of scripts dispensed by chain drug stores increased almost 8%. That increase combined with higher pharmaceutical prices pushed up chain drug prescription sales to $6.7 billion in 1984. The price of the average script increased 65¢ to $11.25. Prescriptions now account for 26.4% of total chain drug sales.

Drugs/Proprietaries—The trend to more self-medication as well as the extensive promotion of new products were the biggest factors in an almost 13% increase in OTC/proprietary department sales last year. Some of the biggest category gains were generated by analgesics; cough/cold; eye care products; feminine hygiene and dental care. The success of heavily advertised Rx-to-OTC products, including two new branded ibuprofens, again contributed to the increase.

Toiletries—One of the hottest new product categories to emerge in years was responsible for at least part of the record sales registered in the toiletries department. Mousse went from nothing the previous year to $48 million in 1984 and succeeded in capturing 2% of all toiletries sales. Other strong gains were recorded in skin care; shampoos; body creams and lotions ethnic H&BA, and suntan/sun protection products

Cosmetics—Fragrances again were the dominant factor in chain drug cosmetics, capturing 31% of department sales and reaching $421.8 million in volume. Body sprays, a new subcategory within fragrances, generated $22.8 million in chain drug sales, almost 2% of the $1.35 billion cosmetics volume. Nail products also produced strong results, increasing 14% to $117 million and capturing almost 9% of sales.

Photo—With hefty gains in the film (especially still color) and film processing categories, chain drug photo sales increased more than 12% to $1.11 billion in 1984. Film is considered an especially important category, since it can generate three customer trips per roll—one to buy, one to drop off for processing and a third to pick up the results. Several chains experimented with one-hour turnaround on processing, but it remains to be seen whether the tests will grow into a full-blown trend.

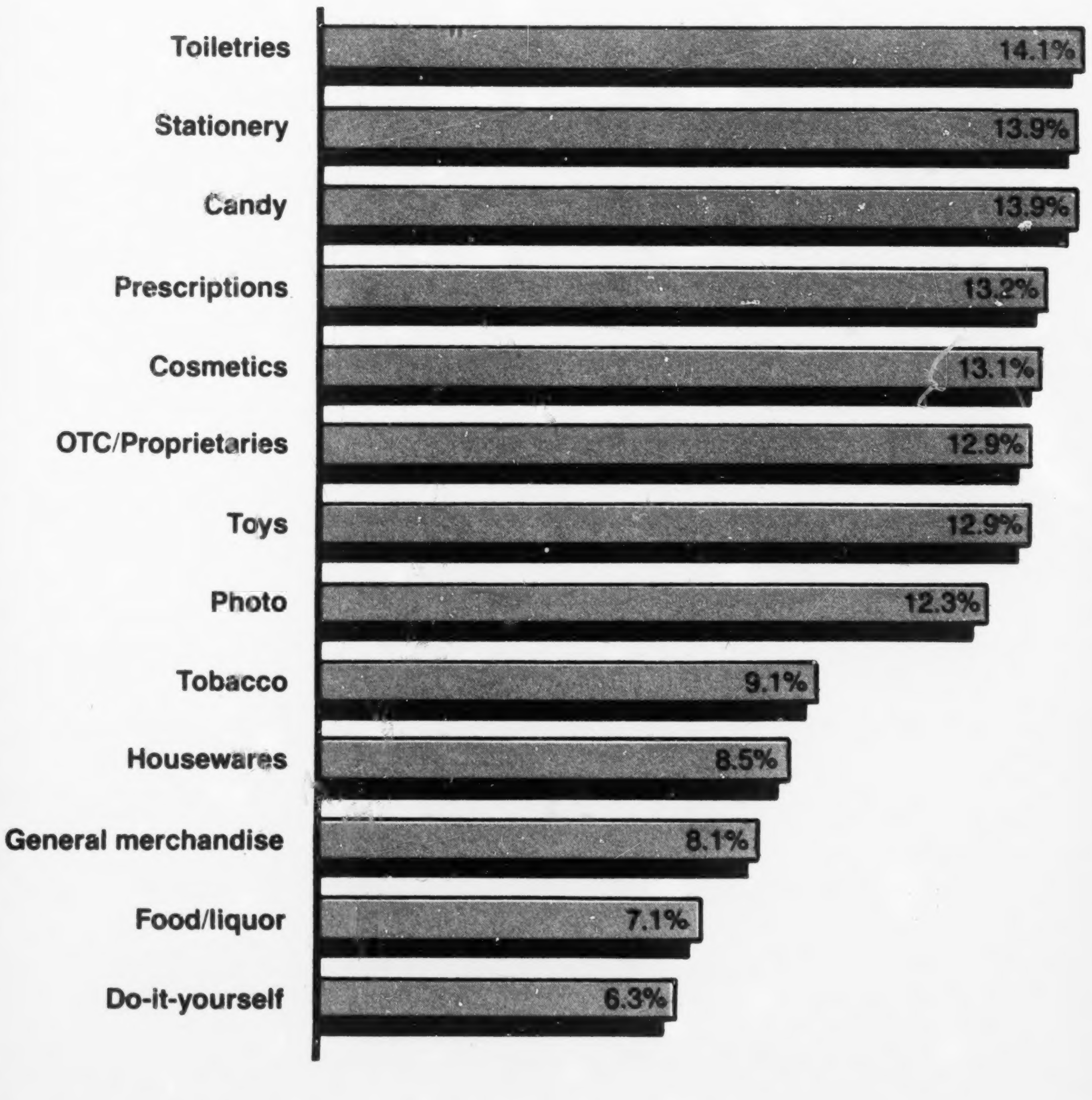
Stationery—Nearly every segment of the stationery department recorded strong results as chain drug stationery

Continued on page 133

Breakout of 1984 chain drug sales

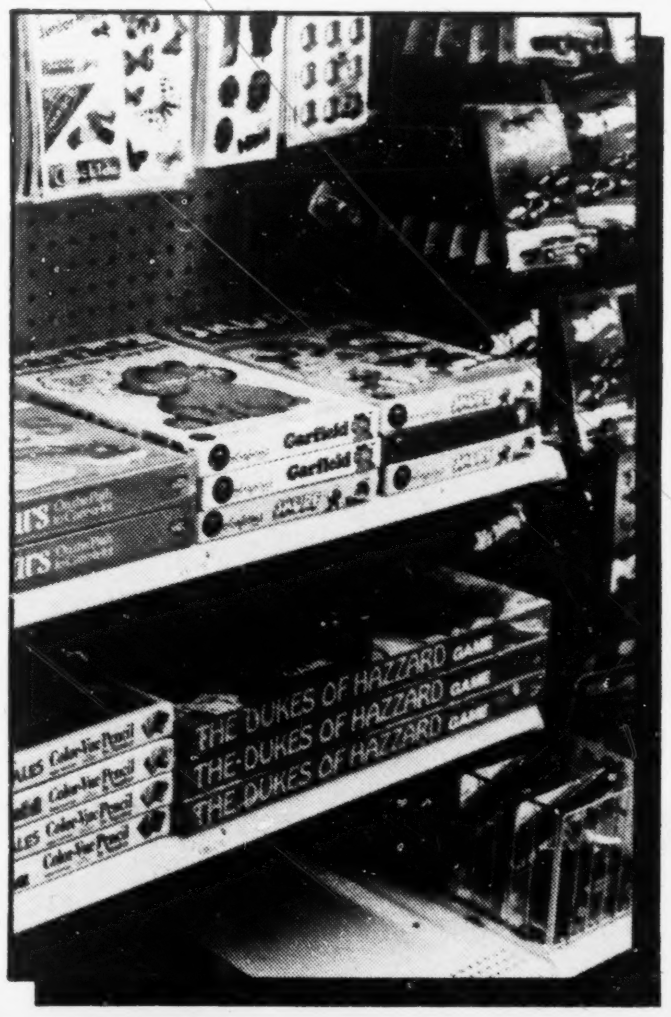
Department	Total chain drug $ volume	% of increase	% of total sales	Gross margins	Avg. no. of turns
Prescriptions	$6,733,210,000	+13.2	26.4	35%-40%	6.5
Drugs/proprietaries	3,594,736,000	+12.9	14.1	30%-35%	5.0
Toiletries	2,741,822,000	+14.1	10.7	25%-30%	5.0
Cosmetics	1,351,802,000	+13.1	5.3	35%-40%	2.2
Stationery	1,199,838,000	+13.9	4.7	40%-45%	4.5
Tobacco	1,979,327,000	+9.1	7.8	15%-20%	15.0
Candy	891,614,000	+13.9	3.5	25%-30%	5.5
Housewares	1,606,076,000	+8.5	6.3	35%-45%	3.0
Toys	671,588,000	+12.9	2.6	35%-40%	4.0
Photo	1,113,620,000	+12.3	4.4	20%-25%	9.0
General merchandise	1,336,923,000	+8.1	5.2	35%-45%	5.0
D-I-Y	420,126,000	+6.3	1.6	35%-45%	3.0
Grocery/liquor	1,208,584,000	+7.1	4.7	15%-20%	12.0
Misc./promotional	657,115,000	+13.2	2.6	15%-20%	N/A

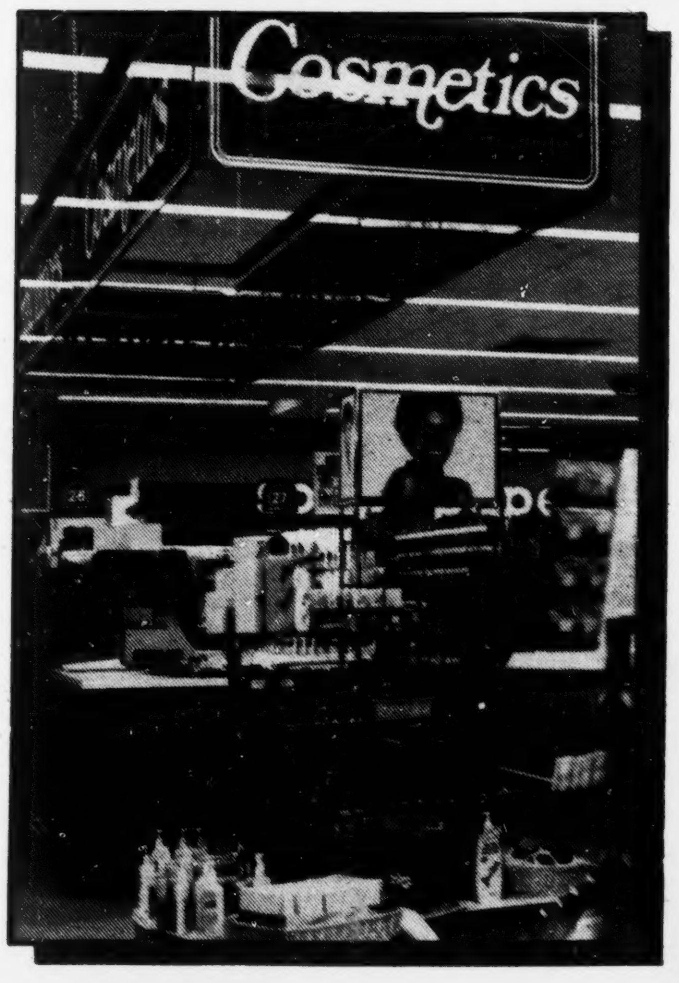
Toiletries leads in sales growth



Source: *Drug Store News* survey

Clear eyes
Murine
BAUSCH & LOMB
FREE!





New products, promos

ontinued from page 124

ales increased 14% to nearly $1.2 billion. The biggest increase was generated by school and home office supplies, up 16% to $313 million. The expanding home office market was at least partly responsible for the hefty gain. Writing instruments were another strong gainer, rising 14% to $84.6 million.

General Merchandise—A slowdown in fourth-quarter general merchandise sales had a dampening effect on 1984's gm results, but the category still managed an 8.1% increase to $1.3 billion in chain drug sales. Some of the best results were registered by home electronics, watches and sunglasses.

Housewares—Small electrics scored the highest gains n the housewares department last year, rising 9.7% to $170 million. Space-saving appliances, which often carry higher price tags, were again hot tems. In the plastics and rubber housewares category, ales were up 9.5% as manuacturers cut prices and offered rebates. Overall, the ousewares department acounted for $1.6 billion in hain drug sales, an increase 8.5%.

Candy—Candy, the biggest mpulse department in chain drug stores, experienced one of the heftiest gains in 1984 sales, up 14% to $892 million. The sales increase was powered by heavier chain drug promotions, which were supported by generous advertising co-op dollars from major manufacturers.

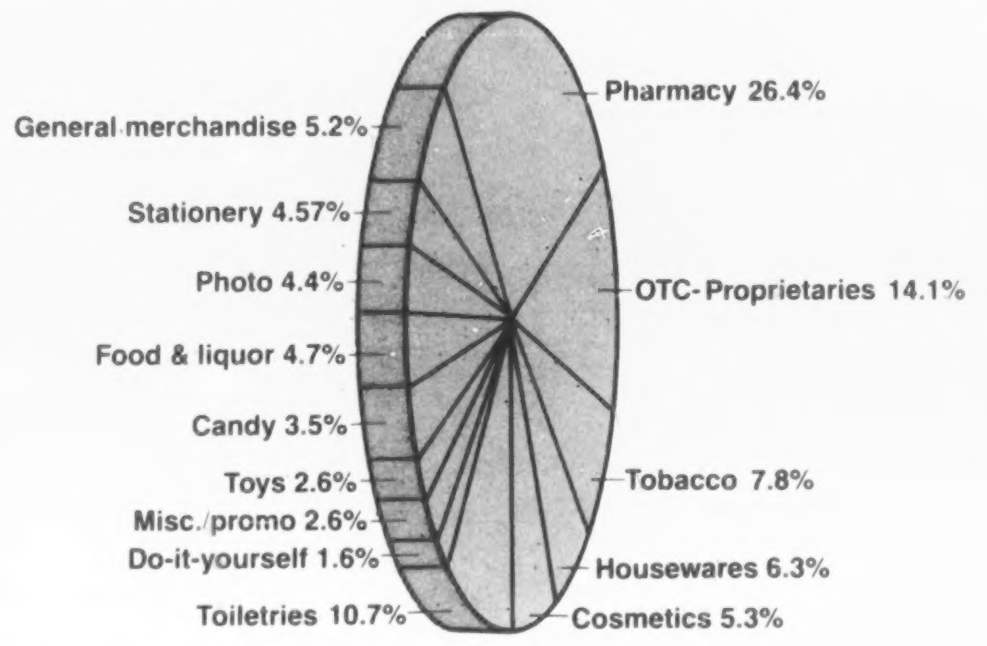
Food/liquor—Alcoholic beverages contributed the lion's share of this department, accounting for a total of $648 million in 1984. Another strong performer was soft drinks, which registered $172.3 million in chain drug sales, up 7.3%. Overall, the food and liquor department recorded a 7.1% sales increase to $1.2 billion—a flat performance compared to other departments.

Tobacco—Fast turns and hefty sales per square foot make this category one of the best roi contributors. Cigarettes are the dominant category, producing two-thirds of department sales of almost $2 billion, up 9% in 1984. Chain drug stores, with their sizable tobacco departments, remain one of the leading retailers of other types of tobacco products, including cigars, smokeless tobacco, pipe tobacco, lighters and accessories.

Toys—Riding the crest of a new products wave, chain drug toy sales grew by 13% last year to $671.5 million. Among the products that generated the sales increases were GoBots, Transformers, trivia games and Cabbage Patch dolls and all their accessories. Games were once again the leaders in this department with sales of 119 million.

Do-it-yourself—DIY sales were flat in 1984, registering only a 6% increase to $420 million. The automotive category was the biggest gainer in the department, with sales up 8.5% to $169 million. Hardware sales increased 5% to $188 million and paint and paint supplies 4% to $62 million. Motor oil remains one of the key promotional categories in the automotive

How sales are distributed in chain drug stores



Source: *Drug Store News* Survey

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Top 100 Business Magazines by Ad Revenue per Copy		
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57	Restaurant Hospitality	4.85
58	Modern Healthcare	4.79
59	Telephone Engnr. & Mgt.	4.73
60	Heavy Duty Trucking	4.72
61	Adweek	4.71
[redacted]	[redacted]	[redacted]
63	Packaging	4.61
64	Amer. Family Physician	4.60
65	Elec. Engineering Times	4.49

Top 80 Business Magazines by Circulation Revenue per Copy		
52	Telephony	0.54
53	Chemical Week	0.50
54	Business Insurance	0.45
[redacted]	[redacted]	[redacted]
56	Successful Farming	0.45
57	ABA Journal	0.44
58	The High Plains Journal	0.43
59	Telephone Engnr. & Mgt.	0.42
60	HFD	0.41
61	Prairie Farmer	0.41
62	Wallace's Farmer	0.41
63	AMM	0.39

BEST AVAILABLE COPY

Chain script sales reach $6.7 billion

An increase in the average prescription price combined with a gain in the number of scripts helped push chain drug store prescription sales up 13% in 1984 to $6.7 billion.

Chains increased the number of scripts dispensed by almost eight percentage points, filling over 600 million in 1984, almost 40% of the total retail drug store market. About 5% of that gain was the result of an increase in the number of chain stores.

The average price of a prescription filled at a chain drug store was $11.25, representing a 65¢ jump in the average prescription price over a year ago.

While that represents a 7.6% increase, the percentage increase is almost two points lower than last year's.

One reason the price of prescriptions has risen at a slower rate is new substitution laws now mandated by many state Medicaid programs.

Some security analysts predict that generic sales will be responsible for almost two-thirds of all prescription drugs by 1988, almost triple the business they did in 1978.

Partly responsible for the generic surge is the new Generic Drug/Patent Restoration law of 1984. The law is a trade-off between extended patents for branded drugs approved between Jan. 1, 1982 and Sept. 24, 1984, and abbreviated new drug applications (ANDA) for companies wishing to manufacture generic equivalents of post-1962 branded drugs losing their patents.

Generic manufacturers were quick to take advantage of the new law. On Nov. 26, the first day the ANDA bill went into effect, F.D.A.'s Generic Drug division recorded approximately 200 ANDA applications from approximately 15 to 20 manufacturers.

While generic manufacturers were positioning themselves in pharmacies across the country, at least 18 major branded pharmaceutical companies launched new products in 1984 hoping to stave off the wave of generics encroaching on their once-exclusive turfs.

Recognizing that generic substitution can lead to higher gross profits, several chains have begun to use generics to their marketing advantage. Several chains introduced programs that assure their customers that the generics they are dispensing are of the highest quality approved by a set chain standard.

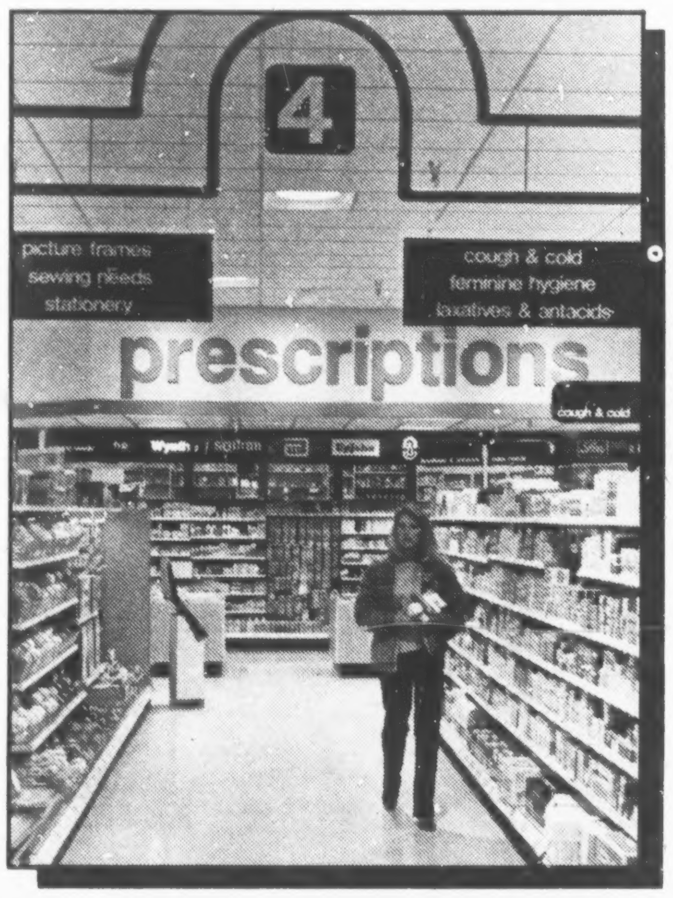
Indeed, branded drug companies will have their hands full in the battle for continuing market dominance. Cost containment has become the buzzword of the 80's as third-party administrators join the bandwagon of cost-cutters, and every indication points to more and more generic substitution.

Wall Street analysts are estimating that the new generics will generate approximately $1 billion in sales by 1990 and could go as high as $4 billion by the end of this century.

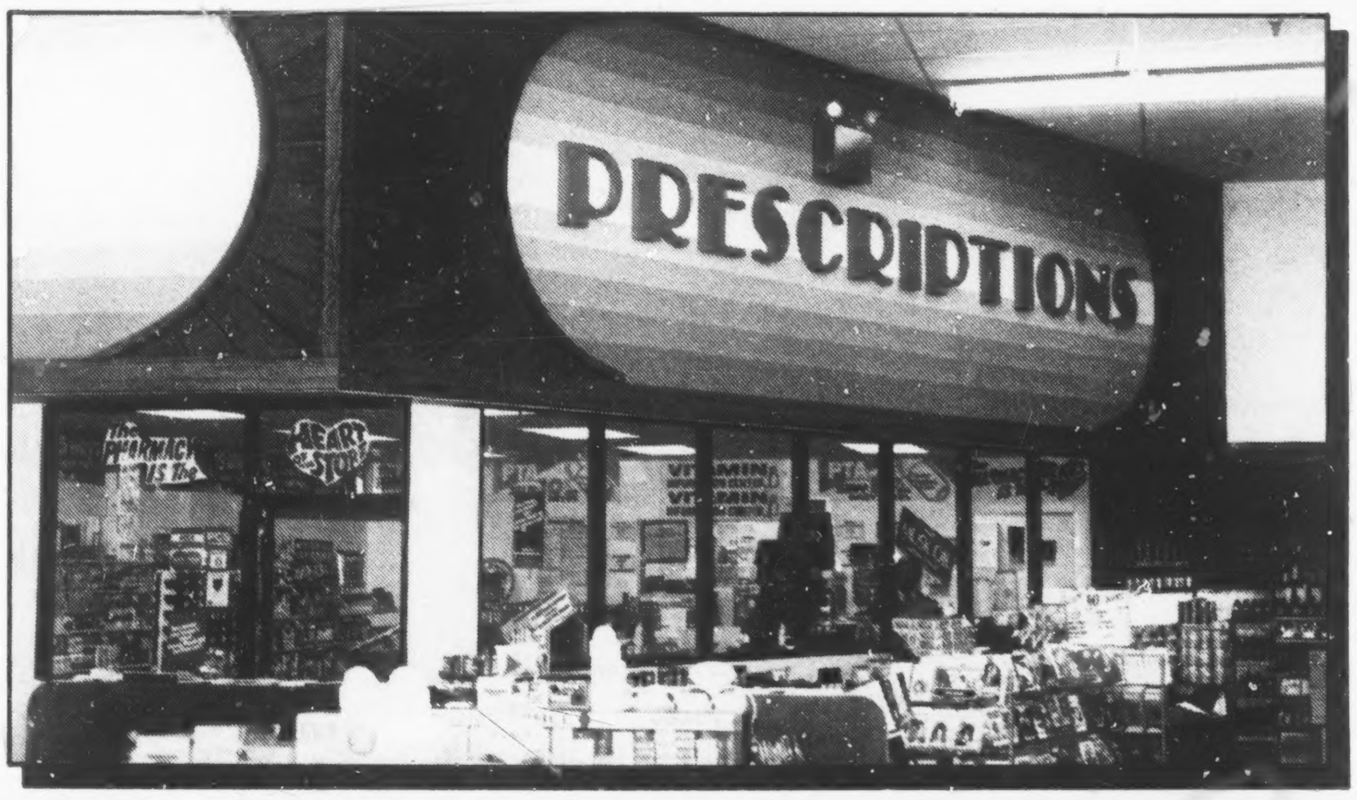
Prescription department summary

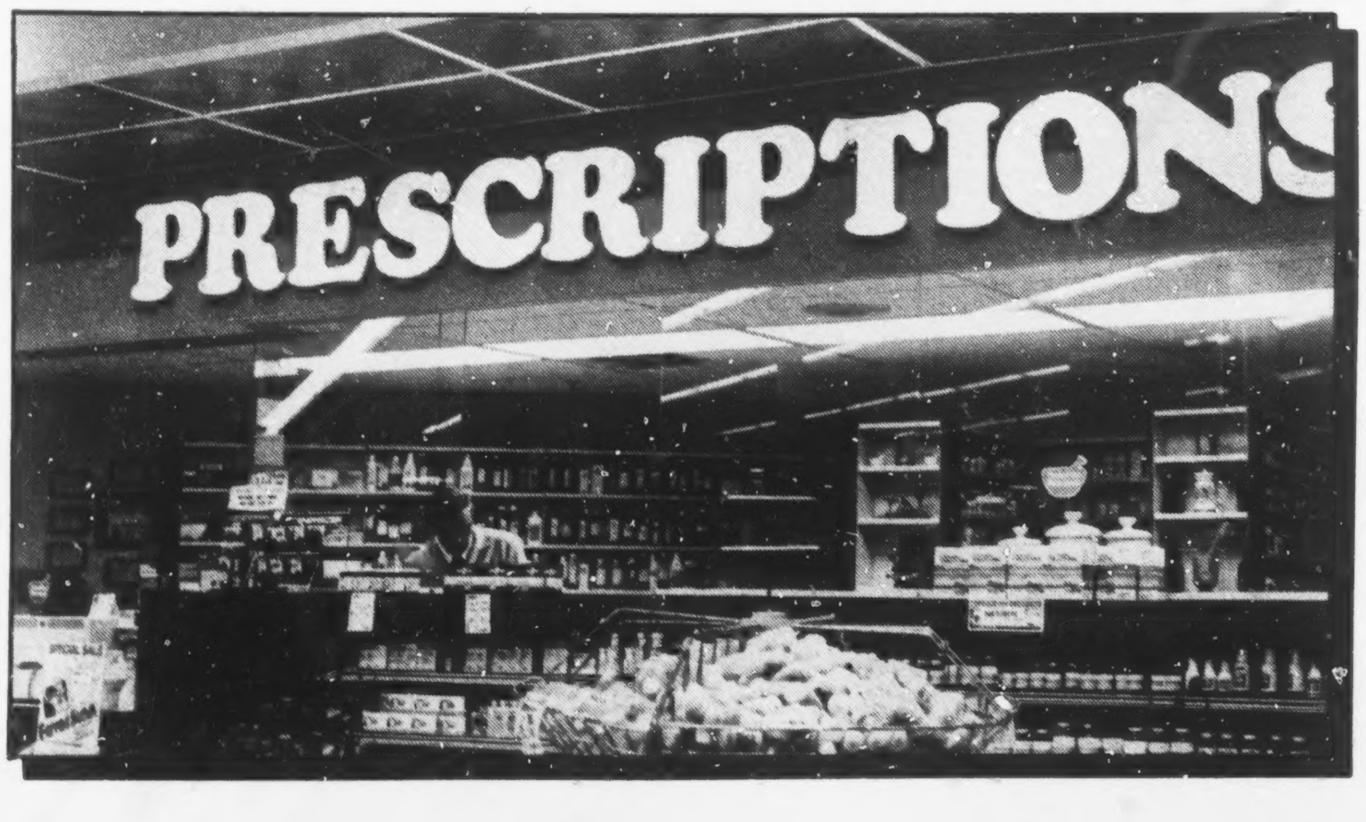
	1983	1984	% Change '83/'84
All drug stores			
Consumer sales ($ millions)	$16,330	$17,930	+9.80%
Scripts (millions)	1,512	1,542	+2.00
Average Rx price	10.80	11.62	+7.60
Scripts/store/year	30,081	30,408	+1.00
Stores	50,264	50,709	+0.09
Chain drug stores			
Consumer sales ($ millions)	$ 5,947	$ 6,733	+13.2%
Scripts (millions)	561	604	+ 7.6
Average Rx price	10.60	11.25	+ 6.1
Scripts/store/year	33,527	34,197	+ 2.0
Stores	16,733	17,677	+ 5.6

Source: *Drug Store News* survey



PRESCRIPTIONS





New drugs introduced in 1984

Brand name	*Generic name*	*Manufacturer*	*Indication*
Humulin N	Insulin	Lilly	Diabetic therapy
Lozol	Indiapamide	USV Labs.	Hypertension
Panadol with Cod.	Codeine Phosphate/ Acetaminophen	Winthrop	Analgesic
Sandimmune	Cyclosporine	Sandoz	Immunosuppressive
Nicorette Gum	Nicotine Resin Complex	Merrell Dow	Cigarette smoking deterrent
Azmacort Inhaler	Triamcinolone	Rorer	Bronchial asthma
Tri-Norinyl	Norethindrone/ Esthinyl Estradiol	Syntex	Oral contraceptive
Diabeta	Glyburide	Hoechst-Roussel	Diabetic therapy
Gentacidin	Gentamicin Sulfate	CooperVision	Eye infection
Micronase	Glyburide	Upjohn	Diabetic therapy
Glucotrol	Glipizide	Roerig	Diabetic therapy
Lotrisone	Clotrimazole/ Betamethasone	Schering	Antifungal
Theo-24	Anhydrous Theophylline	Searle	Bronchial asthma
Desc. 250	Amoxicillin/ Clavulanic Acid	Beecham	Antibiotic
Normodyne	Labetalol	Schering	Hypertension
Brethaire Aerosol	Terbutaline	Geigy	Broncho-spasm
Tenoretic	Atenolol/ Chlorthalidone	Stuart	Hypertension
Trandate	Labetalol	Glaxo	Hypertension

Chains cash in on home health boom

Escalation of the nation's health care bill fueled growth of the $6.3 billion home health care market in 1984.

By 1995, it is estimated that total health care spending will account for 13.6% of the gross national product, with home health care expanding to $24.8 billion.

Cashing in on the coming boom are a number of drug chains, which either opened new freestanding stores or expanded in-store departments. The list of companies in the market continues to grow, but some of the dominant players are Hook, Harco, Begley, Peoples, Walgreens and Eckerd.

While execs of chains that operate home health care centers agree that the campaign to shorten hospital stays and thus cut costs is responsible for the spurt in growth, they are quick to add that the greater life expectancy of Americans is also playing a major role.

The number of people over age 65, the fastest growing segment of the population, stands at greater than 27 million, up 43% over the past 16 years. It is projected that by 1995 this group will comprise 13% of the total population, reaching 34 million. Since the over-65 age group consumes twice as much health care as the population as a whole, the need for less costly home health care is clearly an imperative.

As health care continues to move into the home, the need for specialty equipment and services will also continue to grow.

According to Predicasts, a Cleveland-based market research firm, durable medical equipment accounts for the largest share of health equipment used in the home. Such items as hospital beds, wheelchairs, walkers, toilet items and traction equipment accounted for approximately $1 billion. Durable medical equipment is expected to show an 11.8% annual growth rate and should reach $1.8 billion by 1988.

One home health care item that all chains are cashing in on is incontinent products. Approximately eight million adults suffer from incontinence, creating a nearly $700 million market with expected growth from Predicasts projected to reach $1.9 billion by 1988.

In a report to the health care industry, Predicasts affirms that home care will grow at a greater rate than general health care expenditures.

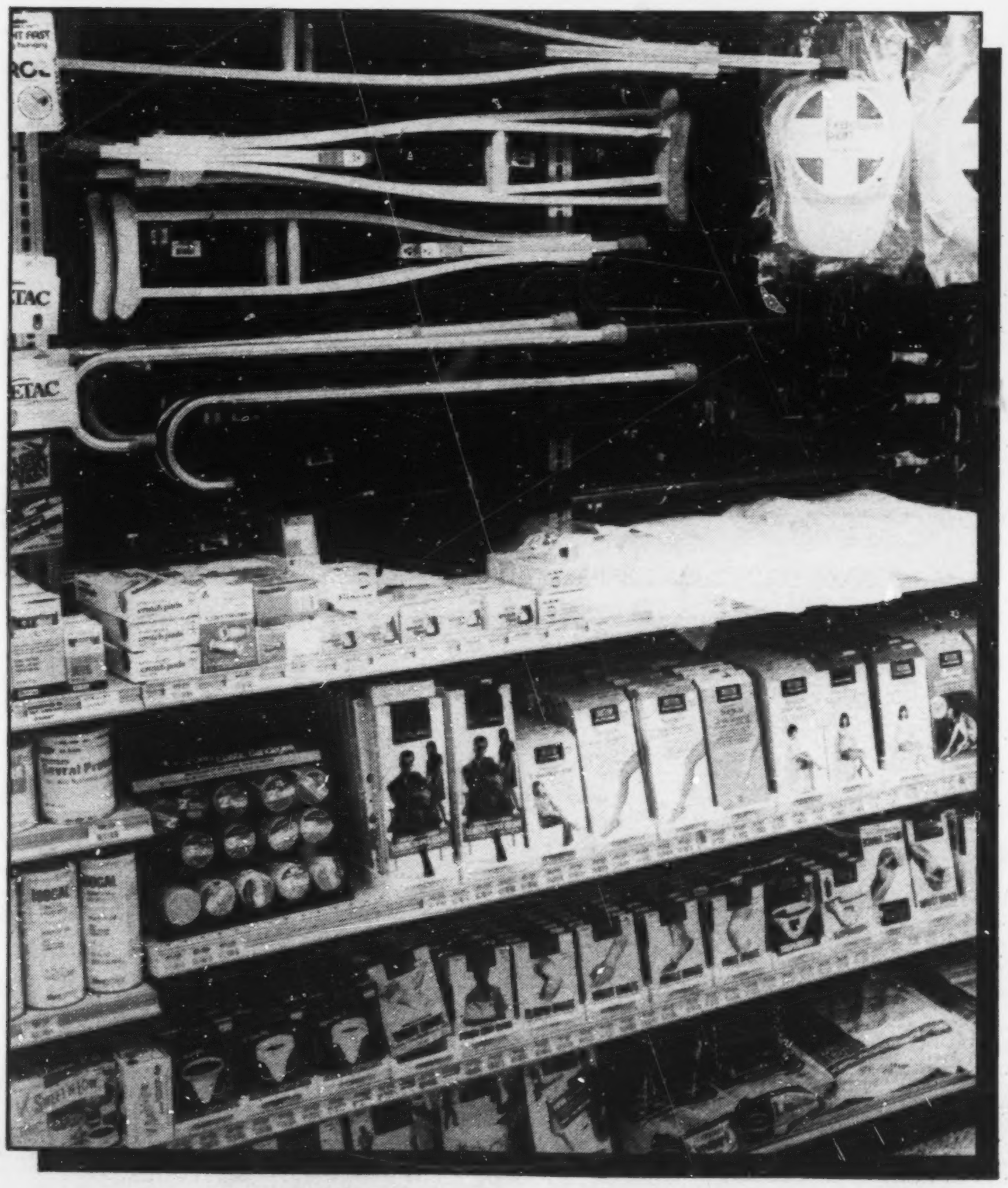
"If only 5% of the elderly were partaking of home care in 1995," the report says, "this would amount to an average patient expenditure of $14,618 a year or $40 a day. The potential for the home care market is scarcely being tapped."

Through all the good news, however, comes a word of caution from Teri Louden, president of Louden & Company, a Chicago-based health care consulting and information service.

"Such positive growth is also attracting new entrants and causing payors to more carefully scrutinize current reimbursement payments," said Louden. "The home care industry is sure to attract the attention of the regulators if the rest of the industry is any indication. Evaluating the market, the competition and your own competitive position are critical steps in planning future strategies."

Chains expand into home health care

	Headquarters	*No. of Ctrs.*
Hook Drugs Inc.	Indianapolis	14
Harco Drug Inc.	Northport, Ala.	9
Jack Eckerd Corp.	Largo, Fla.	6
Begley Drug Stores Inc.	Richmond, Ky.	5
Shoppers Drug Mart	Toronto	5
Peoples Drug Stores Inc.	Alexandria, Va.	4
LaVerdiere's	Winslow, Me.	3
The Walgreen Co.	Deerfield, Ill.	3
Big B Inc.	Birmingham, Ala.	2
Genovese Drug Stores Inc.	Melville, N.Y.	2
Arthur Drug Stores Inc.	Hartford	1
Happy Harry's Pharmacies	Newark, Del.	1
Keystone Drugs	Omaha	1
Medicare-Glaser Corp.	St. Louis	1
Sentry Drug Stores	Romulus, Mich.	1
Perry Drug Stores Inc.	Pontiac, Mich.	1
Tiffany Davis Drug Co.	Eugene, Ore.	1
White Drug Enterprises	Jamestown, N.D.	1



AMBULATORY AIDS
CUSHIONS
SKIN CARE
CERVICAL PILLOWS

OTC comprises 14% of drug chain sales

Outside of the prescription department, consumer purchases of proprietary products contributed the highest percentage of chain drug store sales in 1984.

Sales of proprietaries accounted for 14% of chain sales, while the category recorded an almost 13% gain over a year ago.

Much of the increase can be credited to the trend toward greater self-medication and extensive promotion of new products.

According to one study done by Harry Heller Research Corp., proprietary products are used to treat 35% of temporary medical problems such as coughs, colds, sore throats, allergy symptoms and minor pain. While 9% of these problems were taken to a doctor, 11% of the patients used prescription medication already in their home. The remaining either used home remedies or did not treat the condition at all.

The average American suffers a potentially self-treatable health problem once every three days. Among the major ailments most likely to be treated with OTC medications are the common cold, fever and minor aches and pains.

Within the total category, cough and cold products contributed the greatest share of sales (15%), while analgesics and vitamins each accounted for about 10%.

Helping fuel the growth of cough/cold and analgesics was the success of the heavily advertised Rx-to-OTC switched products.

Last year, for example, the F.D.A. approved ibuprofen, a proven and effective prescription product long used to treat arthritis pain, for over-the-counter sale.

Some consumers with prescriptions for Motrin or Rufen, the branded versions of ibuprofen, opted to purchase the readily available, if less potent, OTC product, even though the OTC version has not been indicated for arthritis pain.

The only drawback to the OTC ibuprofens was the package warning to aspirin-sensitive individuals not to take the product. As a result, acetaminophen OTC product sales suffered little from the new kid on the block, and the analgesic category as a whole increased a whopping 17%.

Vitamins and nutritionals also had an excellent year, spurred by both the national emphasis on fitness and the promotional firepower used by the chains to boost sales.

While there were few new vitamin entries, retailers said the 14% sales gain was due in large part to vigorous advertising for perennial branded best sellers and a special emphasis on the importance of calcium products to women.

But favorite among drug retailers is still private label. Store brands can yield gross margins up to 60% while developing store loyalty. In most chains, private-label vitamins account for almost three-quarters of total category volume.

New product introductions in 1984 also contributed to increased sales in eye care, dental care and family planning categories.

As fittings for new contact lenses continued to increase, so did the need for cleansing solutions. Manufacturers alloted more money for advertising in their 1984 budgets in the hope of persuading consumers to change their choice of lens care solutions. The year also saw the introduction of rigid gas permeable lenses and a whole new solution line to accompany them.

The eye care/lens care category enjoyed an almost 15% increase over last year and contributed 4% to the total proprietary department's sales.

The big news in dental care was the success of the toothpaste pump and the introduction of antiplaque campaigns for toothpastes and mouthwashes.

The combination pushed 1984 sales up almost 14%, and the category accounted for 10% of proprietary department sales.

With the introduction of the sponge accompanied by new douche and spermicidal products, feminine hygiene and family planning categories reached new highs. Combined, they accounted for 9% of total proprietary department volume, with each category's sales up almost 16%.

1984 Proprietaries department productivity

	Total sales (add 000)	% of increase	% of dept. sales
Analgesics	$364,190	16.8%	10.1%
Vitamins/nutritionals	368,998	14.4	10.3
Cough/cold (Tabs/caps/loz.)	315,203	16.5	8.8
Cough/cold (liquids)	221,825	14.3	6.2
Antacids	215,902	8.7	6.0
Laxatives	231,009	5.2	6.4
Diet aids	90,444	7.5	2.5
Eye/lens care	154,602	15.6	4.3
Asthma inhalers/tabs/liq.	13,505	8.1	0.4
First aid products	208,925	7.9	5.8
Wets and dries	26,970	7.8	0.8
Feminine hygiene	180,141	16.0	5.0
Family planning	149,821	15.2	4.2
Acne preparations	63,517	5.8	1.8
Sleeping aids	27,498	9.8	0.8
Antidiarrheal/antinausea	65,474	6.8	1.8
Dental care	354,027	15.8	9.8
Baby needs	310,489	12.8	8.6
Footcare	146,090	12.2	4.1
Home health care	54,837	17.3	1.5
Miscellaneous	31,204	5.7	0.9

FREE!
Ecotrin

HEADACHE
REMEDIES
TYLENOL

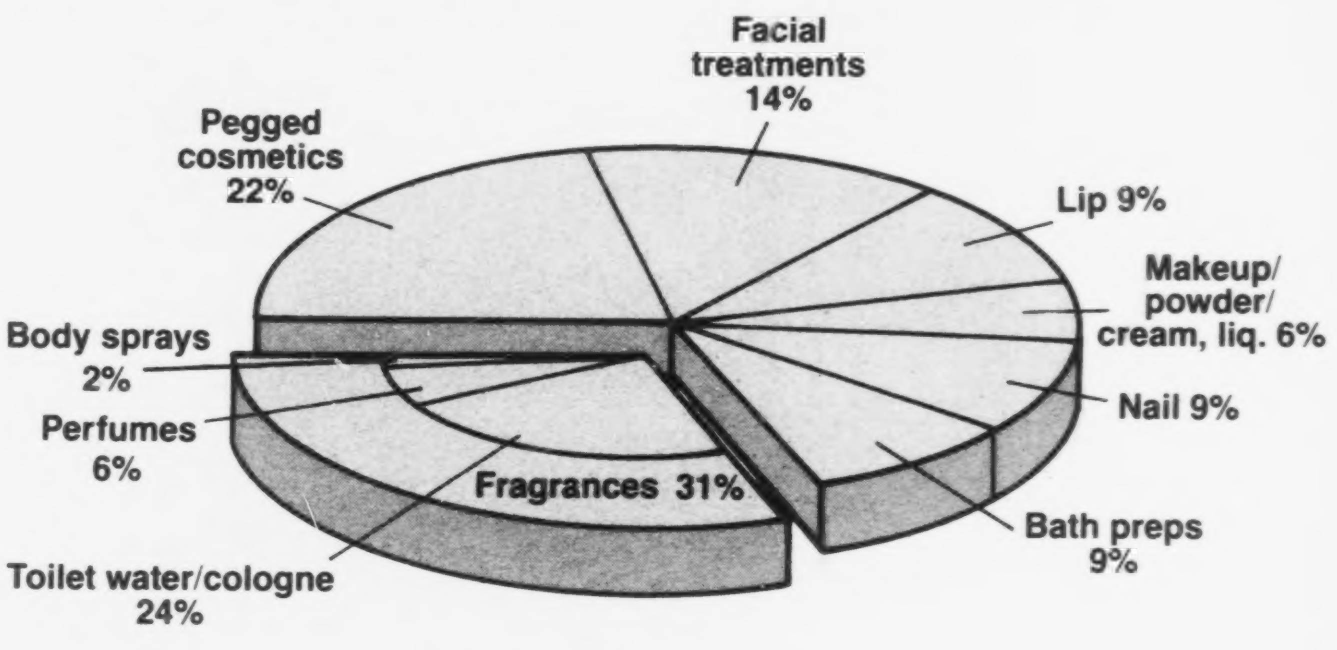
1.29
1.79
1.49
2.69
1.79
2.49

1984 Proprietaries department highlights

Chain drug Proprietaries sales	*$3,594,736,000*
1984 percentage increase	*12.9%*
Percentage of total chain drug sales	*14.1%*
Typical gross margins	*30% to 35%*
Industry gross profit yield from Proprietaries last year	*$1,080-$1,260,000,000*
Average no. of annual dept. turns	*5*

Aggressive promos boost cosmetics

Fragrances grab 31% of cosmetics sales



Source: *Drug Store News*

Efforts to boost cosmetics sales in 1984 paid off handsomely: Drug chain sales soared 13% to $1.4 billion—the highest increase in this category in six years.

Drug chains were able to register this whopping increase by upgrading product mix, aggressively promoting their broad selection of cosmetics and improving inventory. And during the past year, drug chains continued to lure cosmetics shoppers away from mass merchandisers, food stores, as well as department stores by such successful ploys as coupon books, glossy catalogs and sweepstakes.

Overall, cosmetics sales accounted for 5.3% of total drug chain sales, a slight increase over 1983.

The biggest sales increase in the cosmetics department came from fragrances. This category registered a thumping 18.7% increase, bringing in $421.8 million in total sales. That substantial gain was sparked by the inclusion of body sprays for the first time as a category. The sprays made a big splash in 1984, capturing $22.8 million in sales.

Altogether, fragrances—toilet water/cologne, perfumes and body sprays—accounted for nearly one-third of the sales in the cosmetics department.

The big success story in 1984 was the introduction of Charles of the Ritz's Forever Krystle and Houbigant's Lutece. Many chains reported sizzling sales of these scents, particularly during the Christmas season. Mass and dual distribution fragrances, such as Vanderbilt and Le Jardin, also accounted for big gains. And the musk marketers also enjoyed a successful year in the chains with such popular brands as Jovan, Coty and Prince Matchabelli.

Prestige, often diverted, fragrances continued to spark strong chain sales in 1984. Big sellers include Chloe, Anais Anais, Halston, L'Air du Temps, Polo, Aramis and Lauren.

Body sprays accounted for nearly 2% of the sales in fragrances. The major brands, Body Flowers and Impulse, showed strong sales in 1984. According to some retailers, however, this category may be flattening out because of too many new introductions.

The second most successful performer in the cosmetics category was nail care, up 14% to $117.5 million. This category benefited from the introduction of professional nail products and also from special store events promoting these products. Chains such as Longs also extended their nail sections. And the late introduction of the phenomenally successful Aziza nail polish pen added an extra punch to this category.

Upscaling in pegged cosmetics had a big impact in 1984. Sales increased 11.9% to $298.9 million, accounting for 22.1% of all cosmetics sales. Better fixtures and coupon book sales promoting entire lines of pegged brands helped propel sales in this category. For example, some chains discounted Maybelline 25% and L'Oreal 20%. And chains such as Perry and Pay 'n Save, for example, enacted overall discount programs on all pegged brands.

The bath also showed a sales upsurge in 1984. Bath preps rose 10.6% to $122.6 million. Higher-ticket items such as Vitabath proved a hit. Bath preps also moved with such products as Chesebrough Pond's Musk Bath Beads and Calgon's Oriental Bouquet.

Earlier in the year, new lip colors and lip repairs registered strong sales in the chains, but the category began to flatten out by the end of the year. Still, sales in this category were up 8.3% to $118 million.

Facial treatments held steady in 1984. Sales rose 9.7% to $192 million, accounting for 14.2% of sales in the cosmetics department. This category could use some extra pizzazz in 1985.

1984 Cosmetics department highlights

Chain drug Cosmetics sales	***$1,351,802,000***
1984 percentage increase	***13.1%***
Percentage of total chain drug sales	***5.3%***
Typical gross margins	***30% to 40%***
Industry gross profit yield from Cosmetics last year	***$405-$540,000,000***
Average no. of annual dept. turns	***2.2***

REVLON
LIPQUENCHERS
COSMETICS

1984 Cosmetics department productivity

	Total sales (add 000)	*% of increase*	*% of dept. sales*
Fragrances	$421,804	18.7%	31.2%
Toilet water/cologne	322,848	12.1	23.9
Perfumes	76,124	13.0	5.6
Body sprays	22,832	N.A.	1.7
Pegged cosmetics	298,872	11.9	22.1
Facial treatments	192,309	9.7	14.2
Bath preps	122,599	10.6	9.1
Lipstick/lip color	118,018	8.3	8.7
Nail Polish/nail preps	117,457	14.0	8.7
Makeup, powder, cream/liq.	80,743	8.2	6.0

Toiletry scores biggest dept. gain in '84

Toiletry sales took off in 1984. Chain drug sales in the category rocketed 14.1% to top $2.7 billion.

Overall, the increase in toiletry sales was higher than that generated by any other department. And in 1984, almost every toiletry category produced a substantial increase in sales over 1983.

The toiletry department accounted for 10.7% of total 1984 drug chain sales volume, and it was the third leading category in chains last year.

The substantial increase in toiletry sales was sparked in part by the emergence of a new powerhouse category—mousse—which captured $47.9 million in sales. As the biggest news in hair care in 1984, this category generated nearly 2% of the sales in toiletries.

Although the mousse market may hit nearly $100 million in 1985, some buyers are concerned that the category is approaching saturation. Already there are about 10 brands of mousse on the market. Another new entry will be Jhirmack, which will launch a new line of professional styling mousses in May 1985. How many more sku's can the shelves hold?

Ethnic health & beauty aids was also one of the hottest categories in toiletries last year. Sales soared 16.8% to $178.4 million, the highest dollar volume this category has ever generated. That substantial gain was spurred by drug retailers' increasing commitment to this category.

More retailers, for example, added space and sku's to their ethnic sections last year, and some major chains began promoting ethnic products on a chainwide basis. Additionally, some major wholesalers even offered specialized planograms to their customers. The result of all this activity: improved merchandising of ethnic mix and soaring sales.

The second biggest performer in the toiletry department was shampoos, up 13.6% to $295.5 million. Altogether, this category accounted for nearly 11% of the total sales volume in the department last year. Sales were boosted by a flurry of new introductions that were backed by hefty advertising budgets.

Suntan/sunburn products continued to spark strong chain sales in 1984. Sales increased 13.9% to $128 million, generating nearly 5% of toiletry sales volume. Sales were propelled by a number of new introductions, including several high SPF sunscreens that proved a big hit. The sunscreen segment will continue to grow in 1985 as more consumers become concerned about sun-induced skin cancer, according to most retailers.

Another very successful performer in the toiletry department was handcream and skincare, up 15% to $330.5 million. This category now accounts for about 12% of the total sales volume in toiletries and is the largest contributor to chain toiletry sales.

Body creams and lotions also showed an impressive upsurge in 1984. Sales soared 13.3% to $126.7 million.

Deodorant sales increased dramatically in 1984. Sales rose nearly 12% to $316.5 million. This category, which generates an 11.5% share, is the second biggest component of toiletries.

Nineteen eighty-four was also a good year for hair color, up 12.9% to $260.1 million. Altogether, hair color produces nearly 10% of chain toiletry sales. It was a similar story with hair sprays, as sales rose nearly 12% to $102.4 million.

Razors, including disposable blades, also did well in 1984. Sales rose 12% to $128.7 million. To go along with the rise in razor sales, shaving creams increased 10.8% over 1983 to $39.4 million.

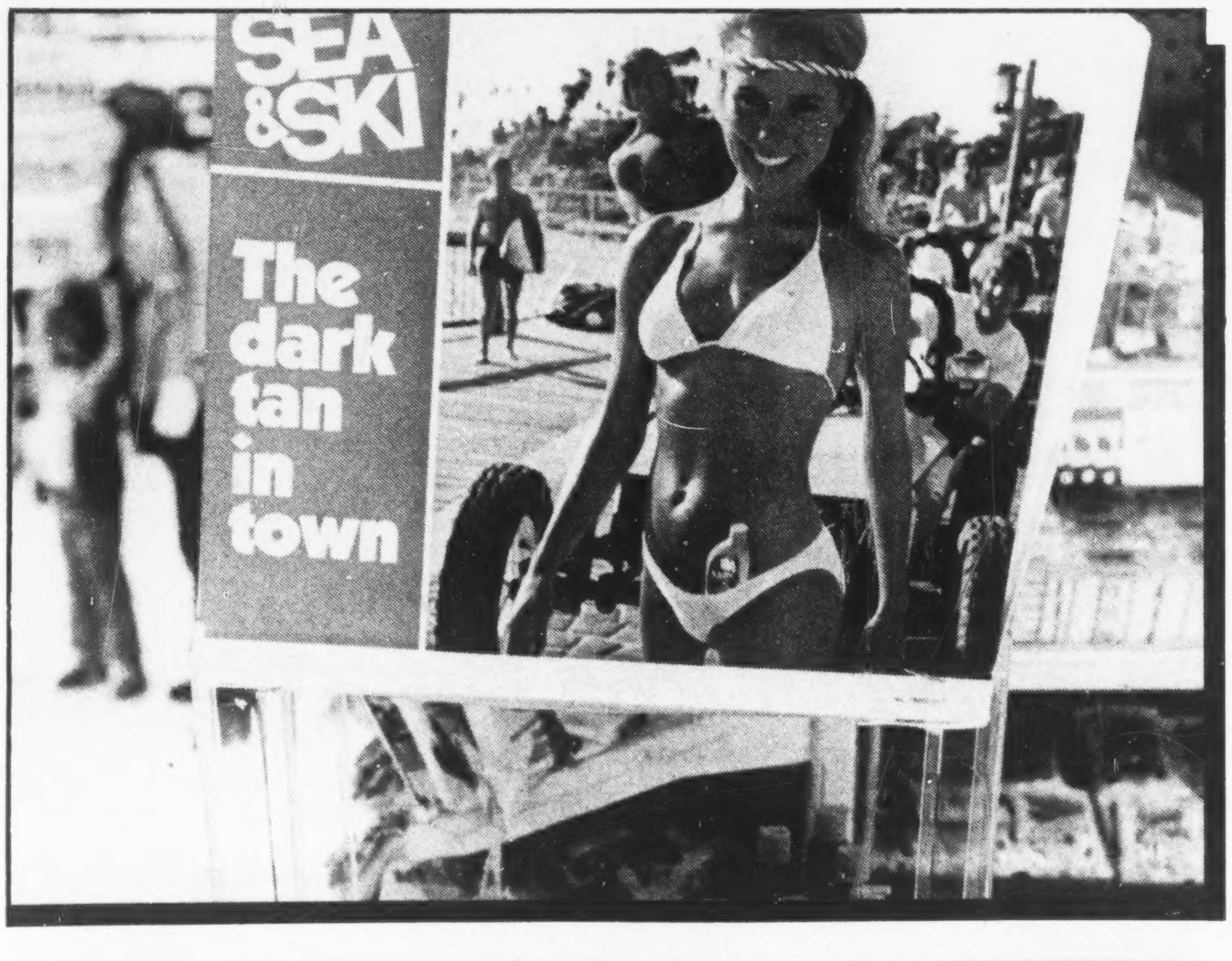
However, sales of products for the rest of a man's needs did not fare so well. Men's toiletries held steady at a 9.1% increase to $301.4 million. It seems that the industry still needs some exciting new marketing strategies to entice men into the stores.

Perms and straighteners' sales continued to flatten out in 1984, rising 9.8% to $22.8 million. However, the perm business is steady and chains still dominate the market.

Hair notions also flattened out in 1984, rising only 8% to $101.1 million. Although this category does not generate huge sales, it does produce steady volume year after year. The same holds true for depilatories. Sales rose 7.6% to $9.8 million. This category may be on an upsurge in 1985 as new launches spark sales.

1984 Toiletries department productivity

	Total sales (add 000)	% of increase	% of dept. sales
Handcream/skin care	$330,485	15.1%	12.1%
Deodorants	316,548	12.0	11.5
Men's toiletries	301,396	9.1	11.0
Shampoos	295,511	13.6	10.8
Hair color	260,081	12.9	9.5
Rinses & conditioners	183,622	10.9	6.7
Body creams & lotions	126,731	13.3	4.6
Ethnic	178,432	16.8	6.5
Hair notions	101,111	8.1	3.7
Razors/incl. disp. blades	128,703	12.0	4.7
Hair sprays	102,350	11.8	3.7
Suntan/sunburn	128,065	13.9	4.7
Shave creams	39,371	10.8	1.4
Mousse/styling gels	47,861	N.A.	1.7
Perms/straighteners	22,847	9.8	0.8
Depilatories	9,750	7.6	0.4
Miscellaneous	168,958	6.1	6.2



1984 Toiletries department highlights

Chain drug Toiletries sales	*$2,741,822,000*
1984 percentage increase	*14.1%*
Percentage of total chain drug sales	*10.7%*
Typical gross margins	*25% to 30%*
Industry gross profit yield from Toiletries last year	*$685-$825,000,000*
Average no. of annual dept. turns	*5*

Stationery writes 'exceptional' gains

Chain drug stationery departments turned in an exceptional performance last year as sales soared 13.9% to nearly $1.2 billion.

Even more satisfying to retailers was the fact that nearly every major component of the drug store stationery department registered strong increases.

School and home office supplies turned in the largest increase as sales rose 15.5% to $313.4 million. Although some of the increase was due to substantially higher paper prices, retailers still enjoyed a banner year in back-to-school sales. Home and office also showed steady gains as retailers captured a larger share of the expanding home office market.

The other major element of the school and home office mix that scored well last year were writing instruments. Sales were up 14% to $84.6 million.

Retailers say the writing instrument category has been bolstered by new pen introductions, as well as greater market penetration by many of the imported pen lines.

Chain drug stores experienced another impressive year with greeting cards. Sales of greeting cards rose 14.8% to $405.3 million. Greeting cards accounted for nearly 34% of the stationery department sales last year.

There are several reasons for the substantial run-up in greeting card sales. Competition from other retail channels, principally discount stores and supermarkets, has forced drug retailers to upgrade their departments in order to retain market share. Several chains have expanded the departments and moved them to higher-traffic locations.

At the same time, drug store greeting card departments are generating more sales per square foot because of improved fixtures and more sophisticated inventory control systems. Eckerd Drug, for instance, last year expanded its test of electronic ordering to more than 400 drug stores.

Consumers are also trading up to higher-priced greeting cards. New card designs such as those featuring holographic images are commanding much higher price points. Musical greeting cards, some of which sold for more than $5, created an entirely new market for high tech greeting cards.

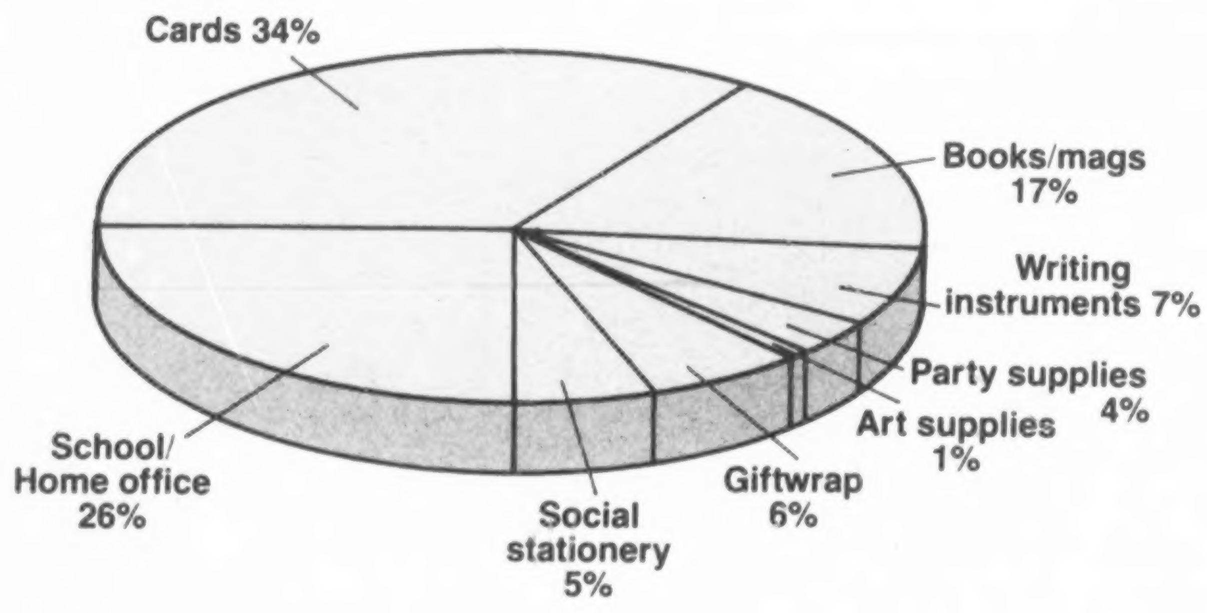
Although licensing was less of a force in the school supply market last year, it remains a strong contributor to greeting cards sales. All of the major greeting cards suppliers strengthened their stable of licensed cards last year.

Licensing also helped boost gift wrap sales, which advanced 13.2% to $74.4 million. Retailers also reported that sales of the high-end gift wraps were strong last year.

A number of chains including Pathmark expanded hardcover book departments, pushing overall book and magazine department sales up 11.9% to $207.5 million. A survey conducted last year of chain drug buyers revealed that 81% of the respondents increased book and magazine departments during the past five years. Nearly 55% said they planned to increase their space allocations to the books and magazine category in the next five years.

With more at-home entertaining taking place, drug chains recorded a 12.2% sales increase in disposables/party supplies to $44.2 million.

Greeting cards lead stationery dept.



Source: *Drug Store News*

FAMILY READING CENTER

1984 Stationery department highlights

Chain drug Stationery sales	**$1,199,838,000**
1984 percentage increase	**13.9%**
Percentage of total chain drug sales	**4.7%**
Typical gross margins	**40% to 45%**
Industry gross profit yield from Stationery last year	**$480-$540,000,000**
Average no. of annual dept. turns	**4.5**

1984 Stationery department productivity

	Total sales (add 000)	% of increase	% of dept. sales
Cards	$405,293	14.9%	33.8%
School, home/office	313,382	15.5	26.1
Books and magazines	207,531	12.0	17.3
Writing instruments	84,630	14.2	7.1
Social stationery	60,252	9.6	5.0
Gift wrap	74,463	13.2	6.2
Disposables/party supplies	44,186	12.2	3.7
Art supplies	10,101	5.2	0.8

1985 Annual Report of the Chain Drug Industry

One-stop trend boosts drink, snack sales

Total sales for liquor and food topped $1.2 billion last year, an increase of 7.1% over 1983. Overall, food, liquor and soft drinks accounted for 4.7% of total 1984 chain-drug-sales volume.

The lure of one-stop shopping convenience helped boost sales in one of the largest traffic draws in this department—liquor and wine. Sales in this category jumped 7.1% to $568.5 million.

Moreover, the liquor and wine category alone generated nearly half of 1984's total sales volume in the food and liquor department. The category also benefited from introduction of wine coolers, a new item in 1984 that produced strong sales in many chain drug stores.

Nineteen hundred eighty-four was also a big year for another alcoholic beverage—beer. Sales in this category rose 8.9% to $89.5 million. The nearly 9% increase in beer sales over 1983 was larger than that generated by any other segment of the food and liquor department. Beer accounted for 6.6% of the department's sales last year.

Altogether, alcoholic beverages—liquor, wine and beer—brought in $648 million in 1984. Considering that some states do not permit the sale of alcoholic beverages in drug stores, that total is even more impressive.

Although typical gross margins for alcoholic beverages are only 15% to 20%, the average number of turns can range from an industry average of nine to 10 to as high as 40 to 60. The number of turns depends on a chain's pricing-merchandising strategies and its ability to advertise the beverages. According to some retailers, beer and liquor sales would skyrocket if state laws prohibiting the sale of those drinks were lifted.

The second biggest performer in the liquor and food department came from another thirst quencher—soft drinks. In 1984, this category registered $172.2 million in sales for chain drug stores. Sales increased 7.3% over the previous year and generated 14.2% of the total 1984 drug chain sales in the food and liquor department.

As with alcoholic beverages, case-stacked soft drinks are excellent traffic builders in chain drug stores. Last year, many chains also installed permanent soft drink sections, which helped boost sales in this category.

The upward trend in snack food such as chips, crackers and cookies continued in 1984. These largely unplanned purchase items produced a 7.5% increase over 1983.

Sales in snack food rose to $89.5 million in 1984, generating 7.4% of the total sales volume in the food and liquor department. One snack food that propelled sales in this category was the soft-baked cookie, which a number of manufacturers introduced last year. Soft-cookie lines, according to buyers, were one of the hottest items in convenience food departments last year.

Another strong category in 1984 was nuts, up 6.9% to $98.2 million. Nuts contributed 8.2% of the total sales in the food and liquor department.

Canned goods and condiments held steady in 1984, rising 6.1% to $55.2 million. Despite flat sales, the category still produced 4.6% of the sales in the food and liquor department.

Another category that held steady in 1984 was dry groceries. Last year dry groceries brought in sales of $47.9 million, an increase of 7.4% over the previous year.

Although interest in full-line convenience food stores may be waning, chains such as Perry report strong food sales, especially in markets where there are no large food stores. Indeed, more chains may enlarge their food selections in those markets where there is little competition from supermarkets and grocery stores.

1984 Liquor/Food department productivity

	Total sales (add 000)	% of increase	% of dept. sales
Liquor/wine	$568,455	7.1%	47.0%
Soft drinks	172,198	7.3	14.2
Nuts	98,161	6.9	8.1
Snacks/cookies	89,467	7.5	7.4
Beer	79,480	8.9	6.6
Canned goods/condiments	55,165	6.1	4.6
Dry groceries	47,927	7.4	4.0
Other foods	97,732	6.1	8.1

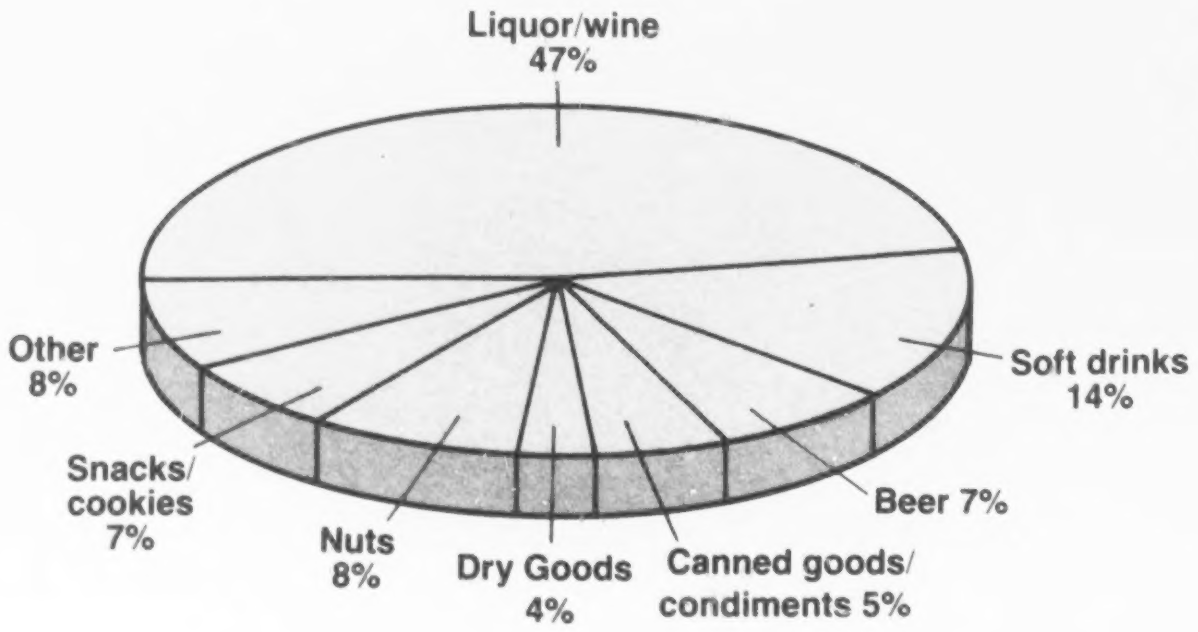
SINGLES ← DO NOT BREAK OPEN SIX PACKS
CALIFORNIA COOLER
Special
STRAWBERRY
Wine Cooler

1984 Food/Liquor department highlights

Chain drug Food/Liquor sales	*$1,208,584,000*
1984 percentage increase	*7.1%*
Percentage of total chain drug sales	*4.7%*
Typical gross margins	*15% to 20%*
Industry gross profit yield from Food/Liquor last year	*$180,-$240,000,000*
Average no. of annual dept. turns	*12*

Beer Wine
2.99
12 CAN PACK
PEPSI-CO

Liquor/wine holds dominant share



Source: *Drug Store News*

1984 Housewares department productivity

	Total sales (add 000)	% of increase	% of dept. sales
Plastic and rubber	$364,660	9.5%	22.7%
Household supplies	211,819	9.0	13.2
Small electrics	186,783	9.7	11.6
Glass/dishware/cookware	175,394	7.5	10.9
Paper products	137,510	7.3	8.6
House & kitchen gadgets/gourmet	105,789	8.5	6.6
Lighting	84,000	8.8	5.2
Picture frames/mirrors	65,781	7.5	4.1
Insecticides	57,589	7.5	3.6
Furniture	49,586	8.2	3.1
Plant/plant care	45,451	8.0	2.8
Bath/closet	32,645	8.3	2.0
Shoe care	20,436	6.7	1.3
Miscellaneous	68,633	6.5	4.3

1984 Housewares department highlights

Chain drug Housewares sales	*$1,606,076,000*
1984 percentage increase	*8.5%*
Percentage of total chain drug sales	*6.3%*
Typical gross margins	*35% to 45%*
Industry gross profit yield from Housewares last year	*$560-$720,000,000*
Average no. of annual dept. turns	*3*

Small electrics lead in housewares dept.

Chain drug retailers' efforts to build sales in the housewares category paid off last year as sales advanced 8.5% to $1.6 billion.

Drug stores placed a greater emphasis on housewares because the category's higher profit margins have helped offset eroding margins in some of the health & beauty aids categories.

Chains recorded a 9.5% increase in the plastics and rubber housewares category as manufacturers price cuts and rebates sparked a resurgence of sales. Plastic and rubber products accounted for nearly 23% of the department sales, or $364.6 million.

Small electrics scored the biggest gains in the housewares category last year. Sales rose 9.7% to $170.2 million.

Many of the consumers who replaced items such as can openers, coffeemakers, blenders, toaster ovens and irons traded up to higher-priced products. Space-saving appliances, which frequently carry higher price tags, were again in hot demand in 1984.

In addition, a number of chains, including Page Drugs and Pay Less NW, managed to cash in on the microwave oven craze. Last year, industrywide unit sales reached eight million.

For those chains that found price points in the microwave category to be prohibitive, there was the microwave accessory category. Once strictly an in-out promotional item, microwave accessories have become everyday items in many housewares departments.

Kitchen gadgets remained an integral part of the department last year. In addition to selling many of the high margin, fast-turning, pegged gadgetry, many chains were able to move into some of the pricey gourmet accessories. Overall, kitchen gadget sales increased 8.5% to $105.8 million.

Many chains increased the visibility of their lighting products last year. And the results were encouraging: Volume picked up 8.8% to $84 million. The highly profitable lighting products category chipped in 5.2% to total department sales.

The glass/dishware/cookware category performed steadily last year as sales rose 7.4% to $175.4 million. The category, measured collectively, contributed nearly 11% to total department sales.

Consumers seeking relief from cramped closets and cabinets pushed sales in the storage device category up substantially. Sales increased 8.3% to $30.1 million in the bath and closet category.

Sales of indoor/outdoor furniture also turned in a good performance in 1984 as volume was up 8.2% to $45.8 million.

Despite fierce competition from discounters and supermarkets, drug stores still managed to keep sales in the household supplies and paper products category growing at a good clip. Household supplies, which account for 13.2% of the total department sales, posted an increase of 8.9% to $200.3 million. The much-promoted paper products posted an increase of 7.3% to $137.5 million.

Photo processing ups customer traffic

The growing popularity of 35mm cameras and films, as well as drug chains' eagerness to promote film processing, translated into another banner year for the chain drug photo department.

With an increase of 12% in 1984, photo department sales reached $1.1 billion and accounted for 4.4% of the total sales of a typical store.

Management's eagerness to promote film and film processing is easily explained. First of all, the combination of the two account for almost 70% of the department's sales. Second, the margins on these items average close to 25% and third, each roll of film usually generates three visits by the customer to the drug store—one to buy the film, another to drop it off for processing and a third to pick up the finished prints or slides.

Film sales, the traditional backbone of the drug store photo department, increased 11% in 1984 for total sales of $423 million. Sales of all films accounted for 38% of the total photo department sales figures.

The most popular type of film sold, still color film (135, 126, 110 and disc), accounted for 55% of all film sales, at $231 million. Color still film, including the big selection of fast-moving 35mm films, was the hottest item in the photo department, growing at a 15% rate.

Instant film sales, with sales at $177 million, was the second most popular film sold last year and accounted for 42% of all film sales. However, the 6.3% growth rate of instant films lagged behind the average growth of total film sales by almost five percentage points.

While several chains including Walgreens, Eckerd and Longs have in-store, 60-minute processing units, most drug stores don't. Instead, they offer 24-hour, seven-day-a-week processing. To entice customers, many add that if you don't get your prints or slides back within that time limit, you get them free.

The competition found today in film processing hasn't slowed down that area of business in drug stores. Last year, revenues from processing grew 14.3% to $348 million, accounting for better than 31% of all photo department sales.

Two-for-one and oversized prints and free replacement film with processing are just a few of the promotions used last year by chain drug stores to keep pace with the competition.

Flash bulbs and flash attachments, although showing a slower growth, registered sales of $184 million in 1984 and accounted for 16.5% of all photo department revenue.

Movie film continues its annual sales slide last year, but blank video cassettes, a rapidly expanding area of business, more than picked up the slack and accounted for $47 million in sales.

As consumer desire for higher quality prints and slides increased, so has the preference for 35mm cameras. In the past, most drug stores stayed away from 35mm equipment because of its complexity and high price.

With today's low-priced, high-quality point-and-shoot 35mm cameras, more stores are including them in their departments.

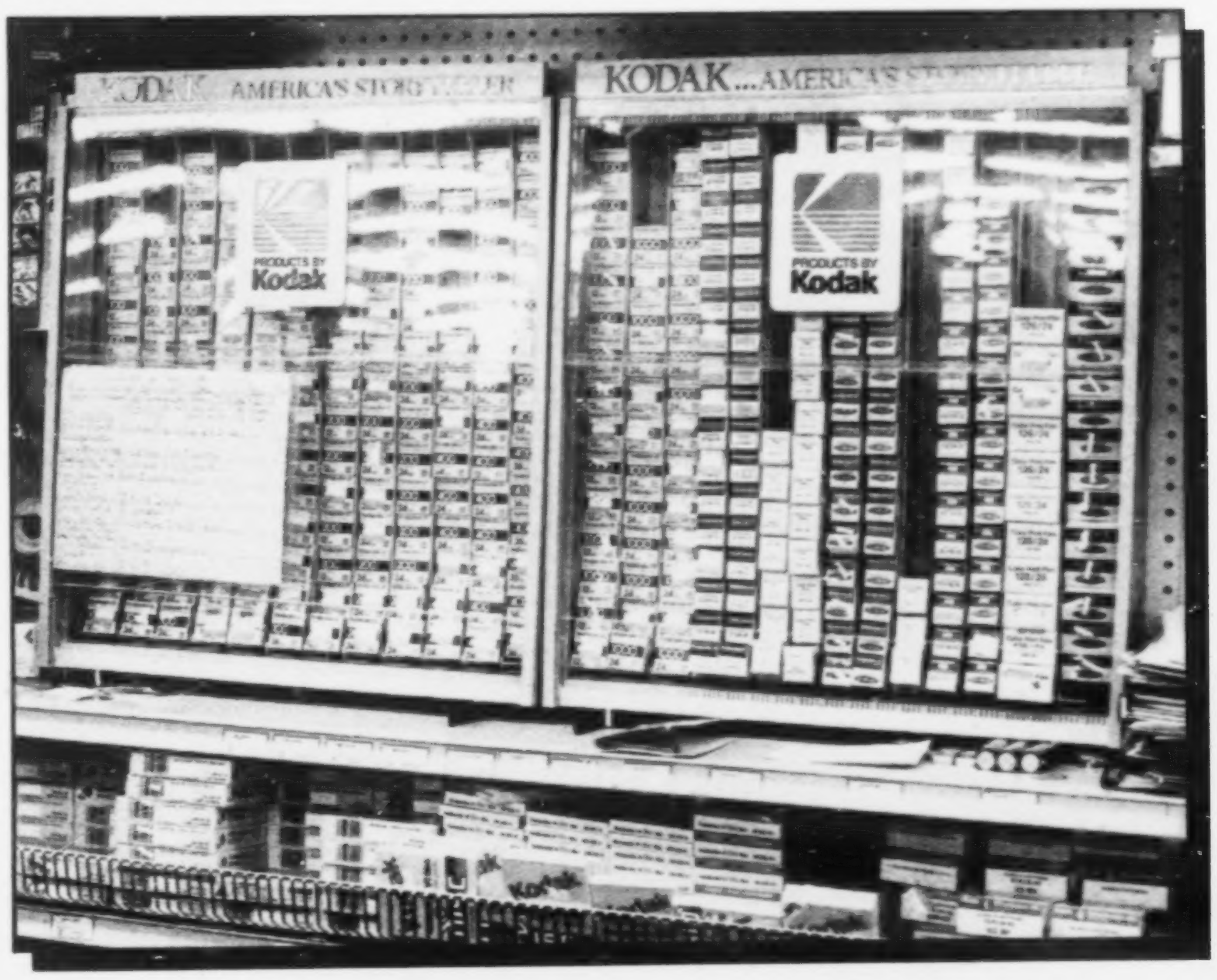
Last year, camera sales in chain drug store photo departments increased 11.7% and accounted for $109.5 million in revenues.

1984 Photo department highlights

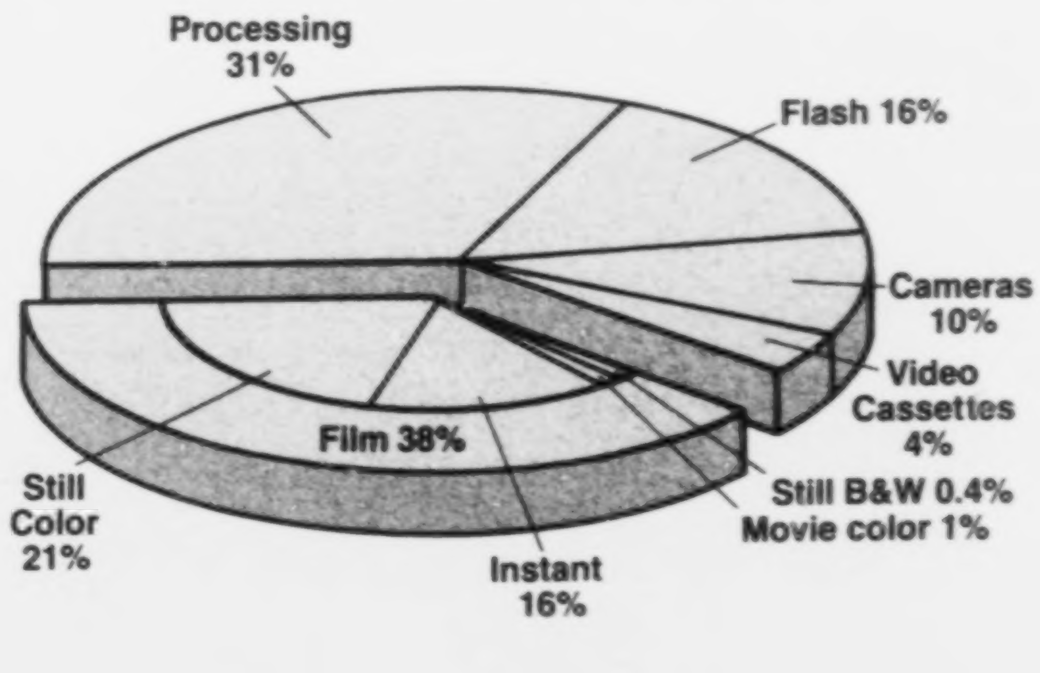
Chain drug Photo sales	*$1,113,620,000*
1984 percentage increase	*12.3%*
Percentage of total chain drug sales	*4.4%*
Typical gross margins	*20% to 25%*
Industry gross profit yield from Photo last year	*$225,-$275,000,000*
Average no. of annual dept. turns	*9*

1984 Photo department productivity

	Total sales (add 000)	*% of increase*	*% of dept. sales*
Film	$423,950	13.7%	48.1%
Still color	231,434	15.2	20.8
Instant picture	177,441	6.4	15.9
Movie color	10,681	2.6	1.0
Still B&W	4,394	9.5	0.4
Processing	348,159	14.4	31.3
Flashbulbs/flash attachments	184,303	5.3	16.5
Cameras	109,482	11.7	9.8
Blank video cassettes	47,726	N.A.	4.3



Film sales dominate photo market



Source: *Drug Store News*

FUJI FILM
DISC
TRIAL PACK
WITH COUPON FOR 50¢ OFF
YOUR NEXT PURCHASE OF 2 ROLLS OF ANY FUJI FILM-15EXPOSURES OR MORE
FUJI

Kodak
TRIMPRINT
920
Instant Camera
TRIMPRINT
TRIMPRINT
920
Instant Camera
SALE
Kodak AK20 Instant Camera
8 88

Impulse sales propel candy category

The ever prevalent sweet tooth of the American consumer, combined with strategic marketing in high-traffic areas of the store, helped chain drug candy departments experience a sugar-coated 1984.

Department sales reached $891.6 million last year, a 14% increase over 1983, and accounted for 3.5% of total chain drug sales in 1984.

Candy items including gums averaged about 5.5 turns, with gross margins averaging 25% to 30%.

During 1984, candy and gum was the most purchased category in drug stores, accounting for 7.7% of all cash register ring-ups. The category also averaged 17.1 sales per 100 customers, according to the 1984 POPAI-DuPont Drug Store Shoppers Study.

The study also showed that candy and gum was fourth in a list of categories most affected by in-store decision making. Shoppers made 75% of their decisions to buy candy or gum while in the store. Candy bars, rolls, small boxes and bagged candies were most purchased without prior planning.

According to several candy buyers, drug stores promoted candy more in 1984 than they have in the past several years, thanks mainly to the availability of generous co-op advertising dollars from major manufacturers. "Every flyer and ad we printed last year featured some kind of candy," says one Midwest buyer.

That fact, plus the basic truth that Americans LOVE candy, consuming an average of more than 18 lb. per person last year, helped the candy departments grow at a brisk rate.

Buyers say that Halloween 1984 was a very strong candy holiday for them and that those seasonal sales alone account for almost 10% of their departments' annual volume.

Bagged candy, the most popular Halloween packaging, led all candy categories in growth this year with a 15.1% increase over 1983. Sales of bagged candies came close to $340 million last year, accounting for 38.1% of all candy sales.

Boxed candies, traditionally chocolates, sell best during holiday seasons, with Christmas being the best, followed by Valentine's Day and Easter.

According to the Chocolate Manufacturers' Association, 60% of the confectionery products consumed each year in America are chocolates.

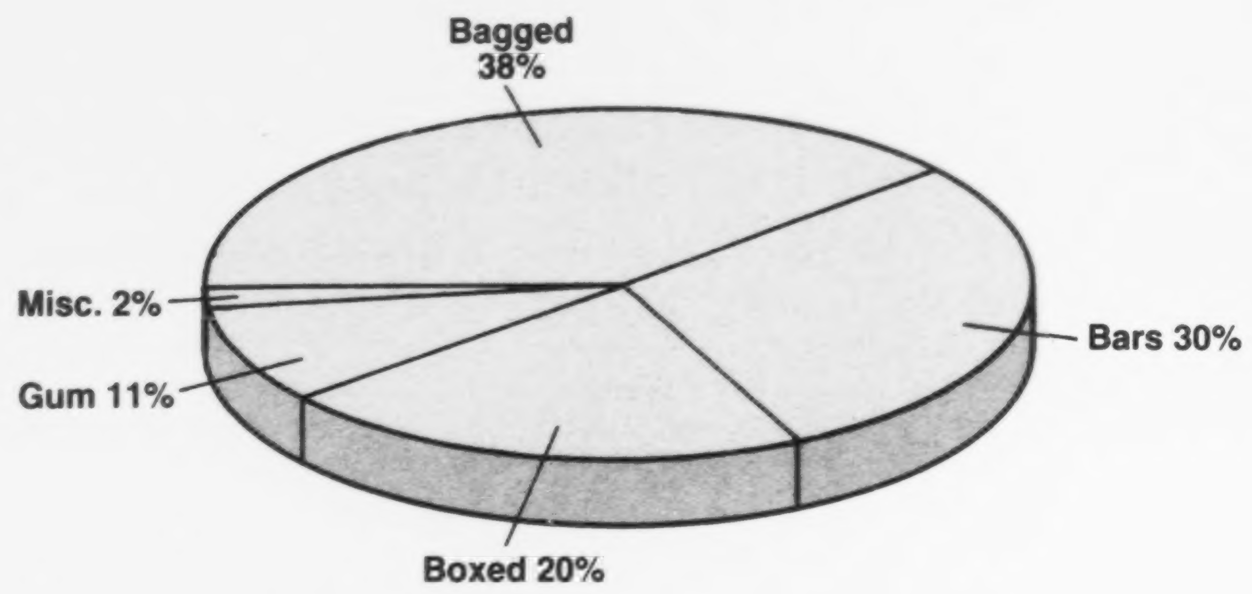
With boxed chocolates selling well throughout the year, boxed candies experienced a 13% increase for 1984. Total sales reached $175.5 million.

Candy bars, a traditionally popular high-margin impulse item in the chain drug's candy department, had a healthy sales year with a 14.2% increase over 1983. Accounting for nearly 30% of all candy department revenue, candy bars had sales in excess of $266 million.

Chewing gum sales, buoyed by strategic placement for impulse sales and by the addition of Nutrasweet by several manufacturers, experienced a 12% increase in sales during 1984, to reach $93.3 million.

The perennial favorites, Wrigley and Warner Lambert, according to buyers, continue to dominate the chewing gum field.

Bagged candy tops dept. sales



Source: *Drug Store News*

1984 Candy department productivity

	Total sales (add 000)	% of increase	% of dept. sales
Bagged	$339,992	15.1%	38.1%
Boxed	175,497	13.0	19.7
Bars	266,883	14.2	29.9
Chewing gum	93,359	11.9	10.5
Other	15,884	4.8	1.8

1984 Candy department highlights

Chain drug Candy sales	*$891,614,000*
1984 percentage increase	*13.9%*
Percentage of total chain drug sales	*3.5%*
Typical gross margins	*25% to 30%*
Industry gross profit yield from Candy last year	*$220,-$270,000,000*
Average no. of annual dept. turns	*5.5*

Starburst
BIT-O-HONEY
SNICKERS
CRUNCH
M&M
Skittles
chunky
mr. Goodbar
HERSHEY'S ALMONDS
Rolo
Twix
PAYDAY
Bazooka
$100,000

CORNUTS
10 PAK

Cigarettes garner high sales per sq. ft.

Tobacco products continue to be a driving force in drug stores, contributing nearly 8% to the $25.5 billion that chain drug stores generated in sales last year.

Despite overall flat sales in the industry, drug stores racked up a 9% increase in sales as volume approached the $2 billion mark in 1984.

Cigarettes accounted for the lion's share of the department sales. Volume increased nearly 9.8% as cigarette sales totaled $1.3 billion last year. Cigarettes represented nearly 67% of the tobacco department sales in chain drug stores.

Although drug retailers have complained about having to allocate additional space for the growth number of cigarette brands, cigarettes remain one of the drug store leaders in terms of sales per square foot.

A recent study of the cigarette department in drug stores revealed that cigarettes generate nearly $38 per square foot. Only film and watches produce higher sales per square foot.

Cigarettes also boast the fastest turn rate of any product in the chain drug mix, turning approximately 25 times per year.

Drug stores have been successful in retaining market share in the fiercely competitive tobacco category because they carry such an extensive line.

Unlike many other drug store categories, which rely heavily on impulse sales, tobacco purchases are generally planned. The most recent POPAI-Du Pont Drug Store Shopper Study revealed that 70% of the cigarette purchases in drug stores were specifically planned.

The POPAI study also revealed that tobacco products generated nearly 14 purchases for every 100 consumers who shopped in a drug store.

In addition to the impressive gains posted in the cigarette category, other tobacco products such as cigars, lighters and smoking accessories and tobacco and tobacco accessories also enjoyed a good year.

Cigar sales were up 6.7% to $320 million. Volume in the cigar category has picked up in recent years because some people are switching from cigarettes to small cigars. Overall, cigars contributed 16% to the tobacco category sales.

Chain drug stores continue to outperform many of the other retail outlets in lighter and smoking accessory sales. Sales in that category were up 8.8% to $166.5 million.

Fueling the lighter and accessory category was the continued strength of the disposable lighter market. Although industry figures show that dollar sales of disposable lighters are growing at about a 6% rate, drug stores have shown better results.

Drug retailers have managed to garner a large share of the disposable lighter market by effective point-of-purchase merchandising. Disposable lighters are also highly promotable.

The tobacco and tobacco products segment continues to be a viable area for many chains. Sales for those products were up 8.6% to $144.4 million.

1984 Tobacco department highlights

Chain drug Tobacco sales	*$1,979,327,000*
1984 percentage increase	*9.1%*
Percentage of total chain drug sales	*7.8%*
Typical gross margins	*15% to 20%*
Industry gross profit yield from Tobacco last year	*$295,-$395,000,000*
Average no. of annual dept. turns	*15*

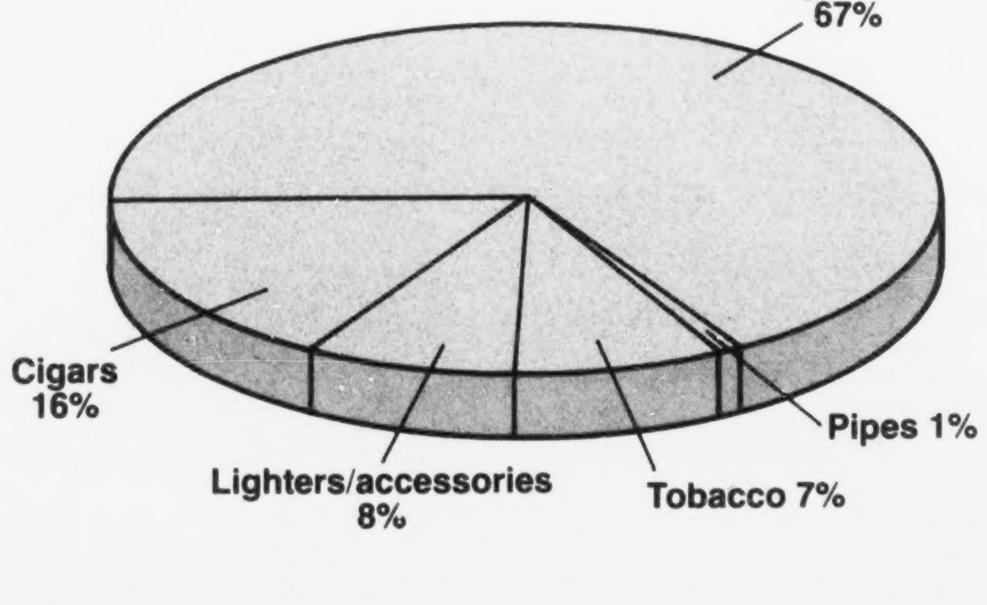
1984 Tobacco department productivity

	Total sales (add 000)	*% of increase*	*% of dept. sales*
Cigarettes	$1,322,400	9.8%	66.8%
Cigars	320,559	6.7	16.2
Lighters/smoking accessories	166,564	8.8	8.4
Tobacco	144,372	8.6	7.3
Pipes	25,432	6.3	1.3

Scripto
Value
Scripto
Value
Scripto
Scripto

REWARD
2 PACKS
1.69
FOR CAPTURE OF
EL Producto
BLUNTS/BOUQUETS SMOKERS

Cigarettes maintain lion's share of tobacco sales



Source: *Drug Store News*

DIY growth lags behind other depts.

The heyday of soaring sales for chain drug DIY departments appears to be waning.

Out of the 14 departments broken down for this year's annual report, the DIY department ranks 14th, showing the slowest growth rate and the smallest sales totals.

The DIY department—consisting of hardware, automotive, paint and paint supplies—registered 1984 sales of $420 million, a 6% growth over 1983. Actual dollar sales increased by $24.6 million. Batteries, a category included in this department in the past, are reflected this year in the general merchandise figures.

The sluggish showing this department made, however, does not mean there are fewer do-it-yourselfers out there. What it basically means is that consumers have a greater variety of stores to shop for their DIY items, and specialty discount home and auto stores are taking some business away from drug stores.

With that in mind, it's no wonder that many drug chains have diversified into auto parts stores. Several chains including Perry, Fay's, Rite Aid, Pay 'n Save and Malone & Hyde now own their own auto parts stores.

Within the DIY department, the automotive category, showed the most vitality last year by growing 8.5% to $169 million. Automotive sales account for 40.4% of all department revenue.

According to retailers, drug store auto departments have continued to grow for several reasons. One, drug stores are convenient and usually stay open longer than auto parts stores, and two, the new consumer-oriented packaging that manufacturers have developed has aided in drug store merchandising.

One buyer points out that there seems to be "a lot more people out there trying to do the simpler fix-its themselves. People try to save a few dollars any way they can, and changing your own oil or spark plugs is one way of doing it."

As manufacturers change packaging to provide more self-service items, more drug stores are expanding the number of auto sku's they carry. "We especially like the high margins on auto parts and accessories," says the buyer. That margin averages 35%-45%.

As a traffic draw, most drug stores use items such as windshield washer solvent and major brand motor oils. It's not uncommon to see quarts of oil selling for less than $1 in chain drugs.

The hardware category accounted for $188.4 million in sales last year, 44.8% of the revenues of the total department. Although hardware was the sales leader, it showed a slow growth rate of 5%.

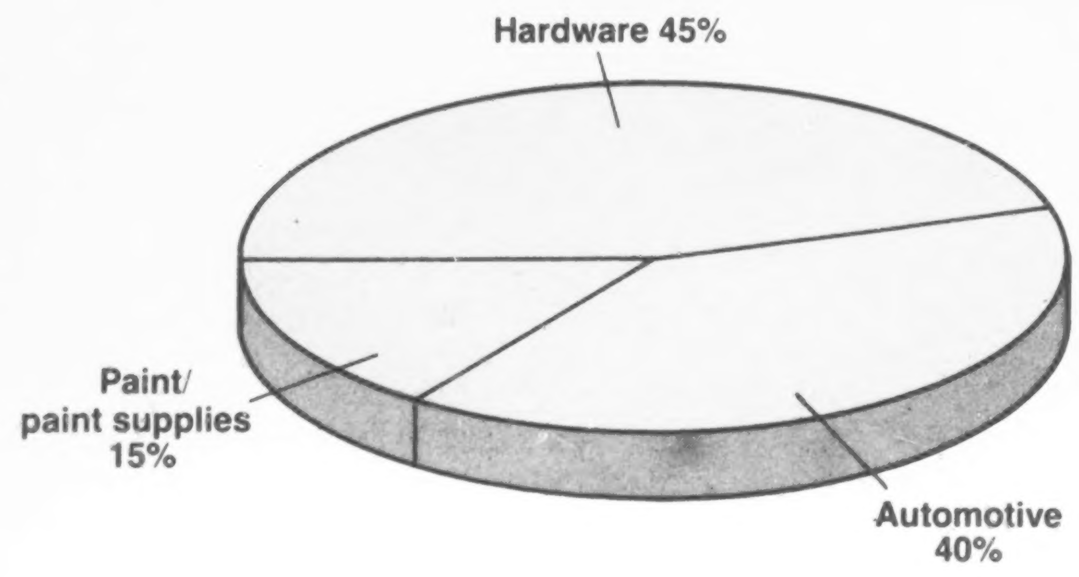
"Hardware will always be an important department in the drug store," says Ron Davis, a buyer at Perry's. "But we have to switch from hard hardware and complete lines to more impulse-type, general hardware."

Davis says people don't expect to find high quality and top-of-the-line hardware items in drug stores, but they do expect to find packaged screws, nails and bolts, drapery hardware, faucet washers, light switches and other types of "handy man" items.

Paint and paint supplies accounted for about 15% of the department's business last year, with sales of $62 million and a growth rate of 4%.

Large buckets of paint, mostly gallon containers, are becoming quite scarce in drug stores. According to Davis, Perry is getting out of the big bucket paint business but will continue to carry smaller containers of popular colors and various types of spray paint.

Auto, hardware take 85% of DIY sales



Source: *Drug Store News*

AUTO DEPARTMENT

1984 Do-It-Yourself department productivity

	Total sales (add 000)	% of increase	% of dept. sales
Hardware	$188,406	5.0%	44.8%
Automotive	169,323	8.5	40.3
Paint/paint supplies	62,397	4.0	14.9

1984 Do-It-Yourself department highlights

Chain drug Do-It-Yourself sales	$420,126,000
1984 percentage increase	6.3%
Percentage of total chain drug sales	1.6%
Typical gross margins	35% to 45%
Industry gross profit yield from Do-It-Yourself last year	$145-$190,000,000
Average no. of annual dept. turns	3

Games, robots lead as toy sales grow

Thanks to GoBots, Transformers, trivia games and Cabbage Patch Kids, chain drug store toy departments experienced one of their healthiest years ever in 1984.

Toy department sales in chain drug stores grew by 13% last year, with retail sales totaling $671.5 million, while the toy industry as a whole grew by 20%, with retail sales topping $12 billion.

Much of that healthy growth in chain drugs can be attributed to the aggressive buying and merchandising by the stores. Drug stores proved in 1984, that no matter the price point, a hot toy will sell in a drug store.

Toy sales accounted for 2.6% of chain drug stores' overall volume.

Games, once again, were the sales leaders in the toy department with total sales of $118.8 million, an increase of 15.9% over the 1983 sales figures. The higher priced trivia games were the stars of the department, helping games account for 17.7% of all toys sold.

One of the other hot toy categories of 1984, the transforming robots, were mostly pegged, thus helping this area show an increase of 15.8%, with sales at $97.9 million. Tonka's GoBots and Hasbro's Transformers were the victors, with no less than 10 lower-priced, mainly imported copycats doing well when the big two became scarce prior to Christmas.

As drug store toy buyers expanded their departments, both in unit count and with higher priced, nationally promoted items, more boxed items found their way to the toy department shelves. In 1984, sales of boxed toys increased by 14%, compared with a 5.8% growth in 1983. Boxed items accounted for $82.9 million in sales, 12.3% of the total sales of the toy department.

Toy cars and trucks, always fast movers in the chain drug mix, registered a 12% increase to $88.8 million, and accounted for 13.2% of toy department sales.

Doll sales, thanks to Cabbage Patch and the ever popular Barbie, grew stronger than the department itself in 1984 with a 14.9% growth rate. Dolls brought in $53 million in sales.

Plush toys, led by Kenner's Care Bear family, experienced sales of $52.4 million, a 12.5% increase over 1983.

Although becoming more popular with the consumer, educational and preschool toys, on the whole, grew at a slower rate than the total toy department last year. The 11.8% increase represented total sales of $52.4 million.

People turned elsewhere to buy hobby and craft kits and supplies during 1984, and in turn, this category proved to be the slowest in growth at 9.6%. Total sales reached $41 million.

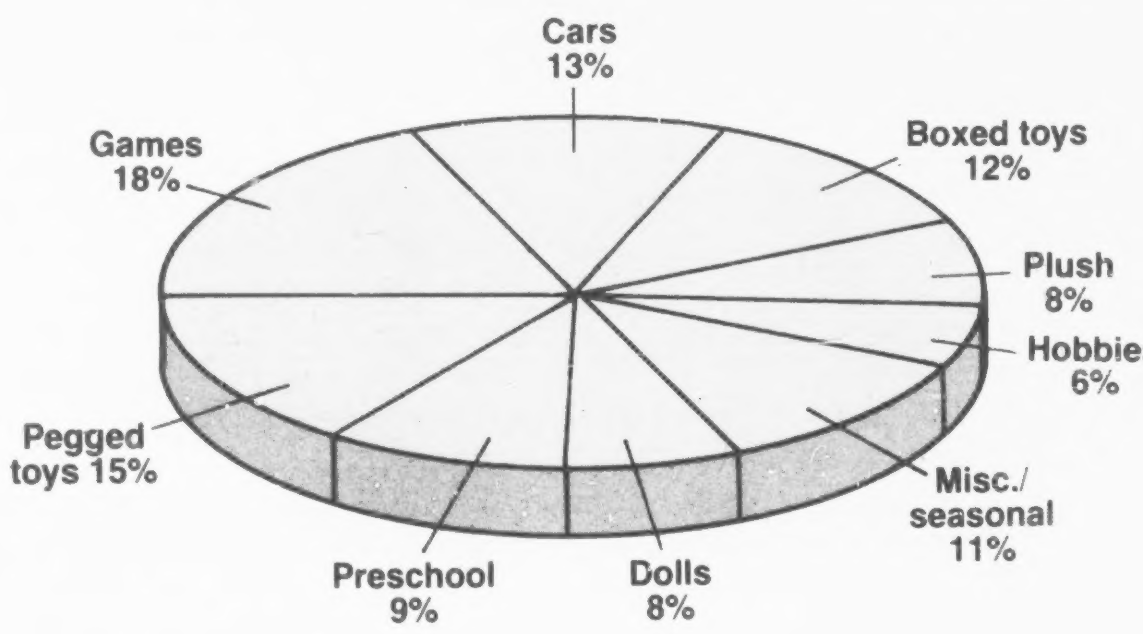
One has-been category in the drug store toy department is electronic and video games. After several years of phenomenal growth, last year's sales totals barely showed up on the charts. This category has been included in this year's miscellaneous listing.

Seasonal toy and game sales figures are also included in miscellaneous.

1984 Toy department highlights

Chain drug Toy sales	*$671,588,000*
1984 percentage increase	*12.9%*
Percentage of total chain drug sales	*2.6%*
Typical gross margins	*35% to 40%*
Industry gross profit yield from Toys last year	*$235,-$270,000,000*
Average no. of annual dept. turns	*2.6*

Games still command biggest share of toy market



Source: *Drug Store News*

DRIVE YOURSELF CRAZY
PACK 'N GO CHALKBOARD

1984 Toy department productivity

	Total sales (add 000)	*% of increase*	*% of dept. sales*
Games	$118,786	15.8%	17.7%
Pegged toys	97,910	15.8	14.6
Cars	88,812	12.1	13.2
Boxed toys	82,872	14.0	12.3
Preschool	62,737	11.8	9.3
Plush	52,437	12.6	7.8
Dolls	53,096	14.9	7.9
Hobbies	41,008	9.6	6.1
Miscellaneous/seasonal	73,930	12.2	11.0

Sunglasses: clear winner in GM sales

General merchandise sales in chain drug stores rose 8.1% last year to $1.3 billion.

The increase would have been substantially higher had it not been for a slowdown in general merchandise sales during the fourth quarter. A number of chains reported that sales during the holiday period, traditionally the strongest for general merchandise, were not nearly as robust as the previous year.

However, drug chains still registered healthy increases in a number of general merchandise categories, including home electronics, watches and sunglasses.

Sunglasses, in fact, were the biggest winner in the general merchandise department last year. Sales jumped 10.1% to $173.6 million.

The gains in the sunglass category were particularly impressive in light of the fact that discounters and supermarkets have gone after this market much more aggressively in recent years.

Retailers said the high degree of consumer confidence in the economy earlier in the year and an influx of new styles on the market drove up sunglass sales, which accounted for 13% of the department's total volume.

The category leader in dollar sales did not fare as well. Personal care appliance sales slipped during the Christmas quarter. Sales for the year were up 7.1% to $217.6 million.

However, things could have been worse. Retailers credited an aggressive rebate program from several manufacturers for sparking sales of hair dryers, curling irons and electric shavers.

Watch sales registered a healthy 9.2% increase in sales to $97.5 million. Gains were posted both in the low-end and high-end watches.

Despite near-saturation in the personal stereo market, drug retailers still benefited from a 9.1% increase in the home electronics category. Sales climbed to $89.9 million.

Personal stereos last year finally showed signs of peaking after several consecutive years of double-digit sales gains. However, the "boom-box" radios continued to be hot sellers in many chains during 1984.

Several chains, including Begley Drug, Pay Less NW, Pay 'n Save and Page Drug, carried video cassette recorders—last year's biggest-selling home electronic product. Industry-wide unit sales of video cassette recorders in 1984 were up nearly 80% from the previous year.

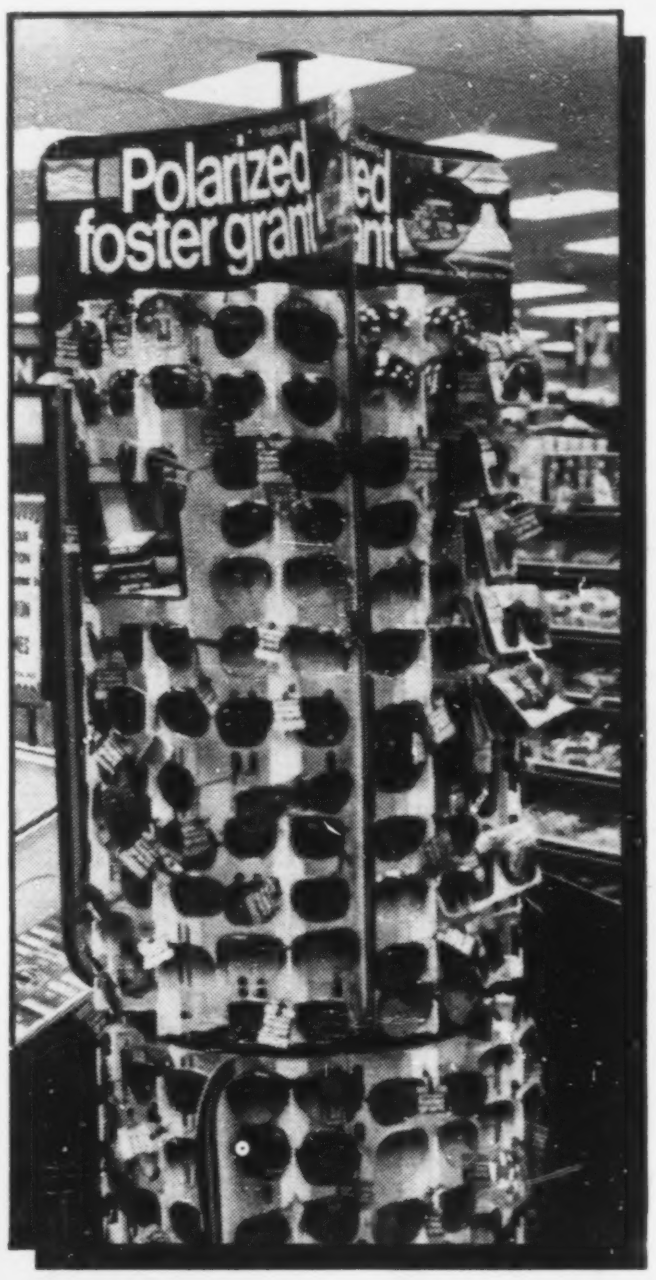
Batteries generated a steady 7.4% increase in sales last year with sales in chain drug stores closing in on the $150 million mark.

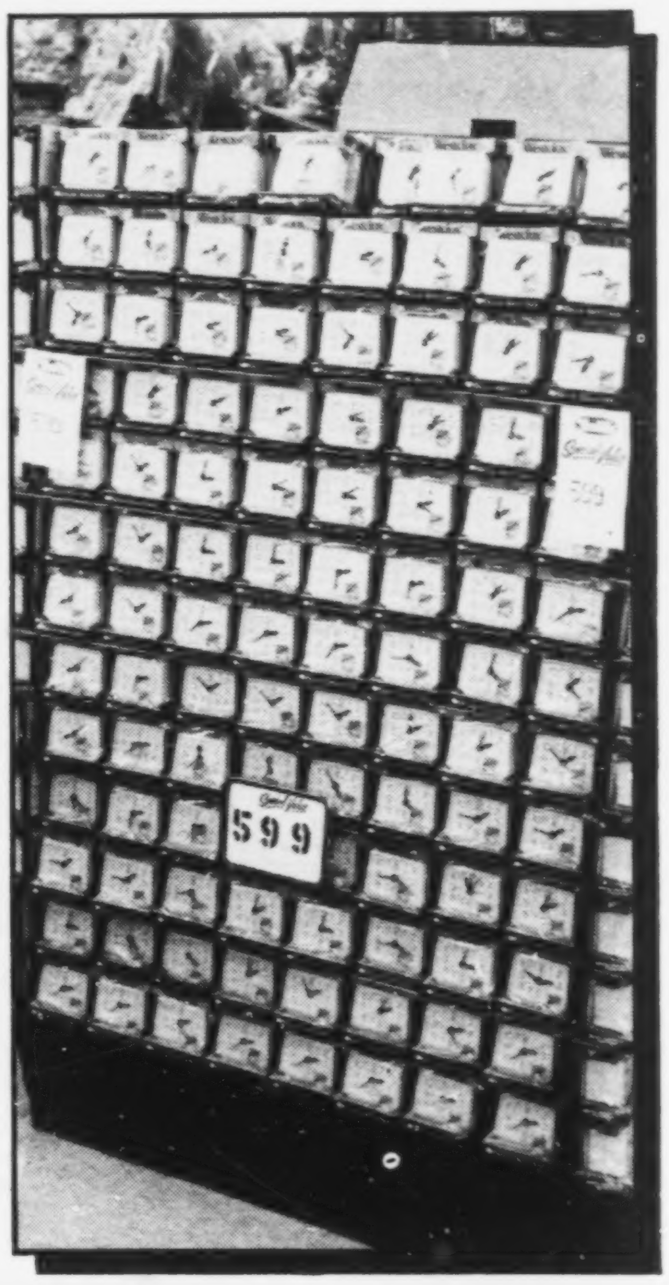
In addition to producing some of the highest sales per square foot in drug stores, batteries also are among the most profitable products in the chain drug mix.

Another leading performer in the general merchandise category last year was the pantyhose/soft goods segment. Pantyhose sales climbed 9.4% to $189.3 million. Drug stores have carved a substantial share of the pantyhose market by offering women low prices and convenience.

1984 General Merchandise department productivity

	Total sales (add 000)	% of increase	% of dept. sales
Personal care (Inc. elec. razors)	$217,635	7.1%	16.3%
Sunglasses	173,581	10.2	13.0
Pet needs	143,153	8.3	10.7
Sporting goods	126,779	7.7	9.5
Pantyhose/soft goods	189,278	9.4	14.2
Watches/bands	97,500	9.3	7.3
Home electronics	89,909	9.1	6.7
Batteries	146,320	6.4	10.9
Yarn/sewing notions	73,711	4.2	5.5
Vaporizers/humidifiers	18,910	4.5	1.4
Giftware	25,758	6.2	1.9
All others	34,389	2.2	2.6





1984 General Merchandise department highlights

Chain drug General Merchandise sales	$1,336,923,000
1984 percentage increase	8.1%
Percentage of total chain drug sales	5.2%
Typical gross margins	35% to 45%
Industry gross profit yield from General Merchandise last year	$465-$600,000,000
Average no. of annual dept. turns	5.2

Walgreens plans expansion drive for '85

DEERFIELD, Ill. — Walgreens, which opened its 1,000th store last year, plans to continue its aggressive expansion drive in 1985.

The company is opening another 100 drug stores this year compared to 72 last year. For 1984, Walgreens reported that comparable store sales (sales for all stores opened at least a full year) were up 11.2%.

Pharmacy sales are still continuing to grow dramatically. Prescriptions, which currently account for 19% of all Walgreens' drug store sales, increased a vibrant 22.8% in 1984, leading all other categories.

Much of the chain's 1985 unit growth is being planned for what chairman and ceo Charles "Corky" Walgreen calls the "booming" states of California, Florida and Texas.

Walgreens plans to add 10 more stores to the 44 now in California's Bay Area including 19 in San Francisco. In Texas, where Walgreens already has 164 stores including 107 in Houston, 24 stores will be added, and in Florida, where Walgreens has 144 stores, 30 new stores will be opened.

This year, Walgreens will also remodel 70 stores while refurbishing another 200.

In recent years, Walgreens has been filling in those major markets where the company has either a No. 1 or No. 2 market share. Currently there are only five markets—about 10% of Walgreens' total market arenas—where the company's stores don't command first or second position.

"Our expansion strategy remains one of optimum penetration," Walgreen says. "California will be one of the hottest retail markets in the United States for the rest of the 80's, and Texas will grow 32% through the year 2000."

Florida, he points out, is expected to pick up 300,000 new residents in 1985 alone.

In other areas, Walgreens is expanding its merchandise mix to embrace more high-margin "consumable categories" like video tapes, computer discs, computer paper, convenience foods and photo processing.

The new technology lines like computer discs and video accessories are seen as good "growth businesses" by Fred Canning, the chain's president.

"Accessory business," says Canning, "is all plus business. Much of this business didn't even exist five years ago. Today 20% of all American households have VCRs and personal computer sales are up by 50%."

Canning stresses that Walgreens is not planning to sell hardware, but rather the more consumable accessories. Blank video tapes, computer discs and papers "are the consumables of the 80's," he says.

Walgreens is also aggressively expanding its consumable convenience foods departments. Another 40 "full-selection" convenience food departments will be added this year. Walgreens projects a total of 153 "full-size" convenience food departments by next year. In addition, many Walgreens' stores also sport limited lines of convenience and frozen prepared foods.

"We're building up consumable categories with the goal of increasing our customers' trips to Walgreens," says Canning.

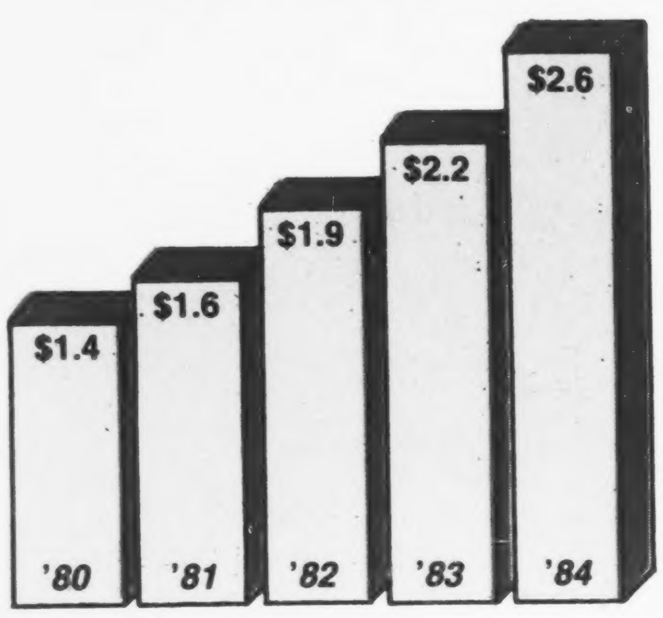
"We want to draw them into the store, not only for toothpaste and aspirin, but also for midweek purchases of milk, bread or tomato soup."

In the area of retail store diversifications, Walgreens will add another two home health care stores in 1985. The company currently operates three such stores, all in the Chicago market.

The company will also add another 10 Wags freestanding restaurants for a year-end total of 73.

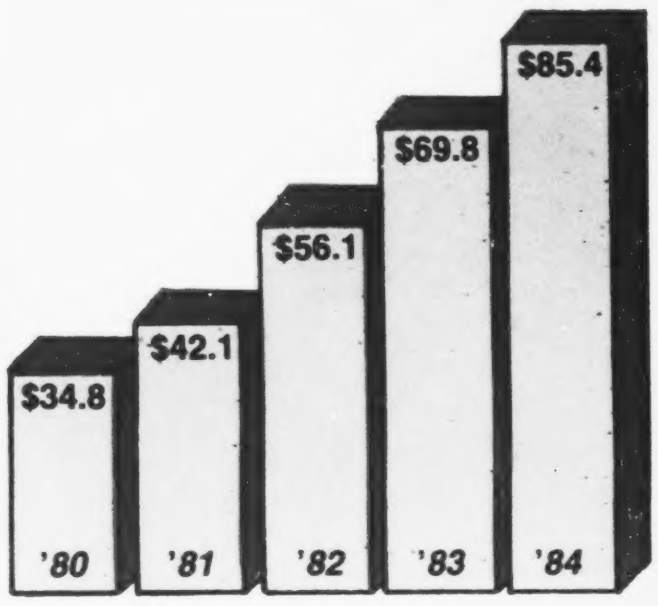
Canning says the plan is to expand the home health care stores "slowly, finding our niche in this growing market." He says the restaurants, too, will continue to grow "cautiously," but he adds that it won't be too long before Walgreens plans to enter some new markets with its Wags.

Walgreens' five-year sales trends*

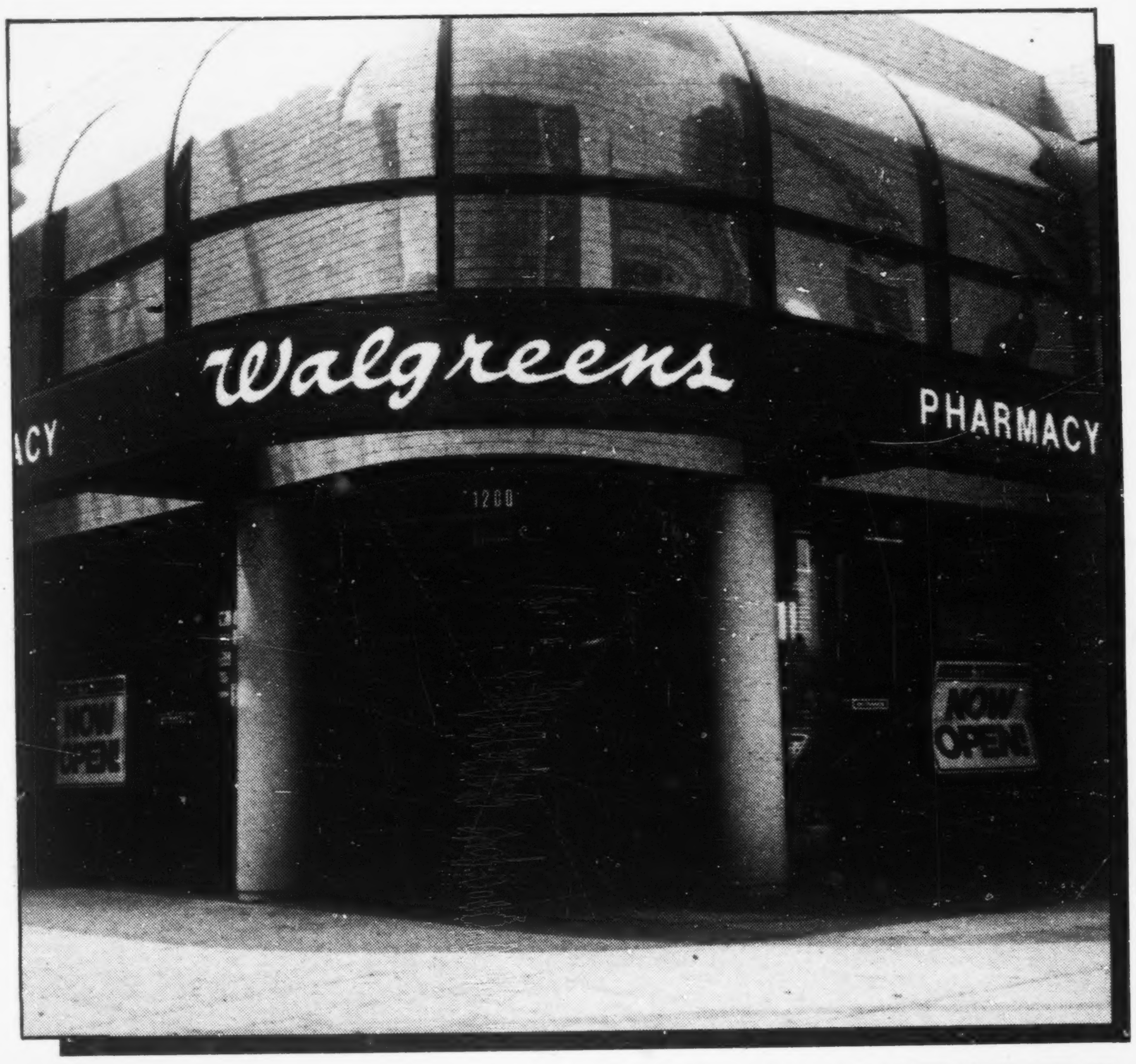


Sales in billions
*Drug stores only
Source: Company reports

Walgreens earnings increase 22%



Earnings in millions
Source: Company reports

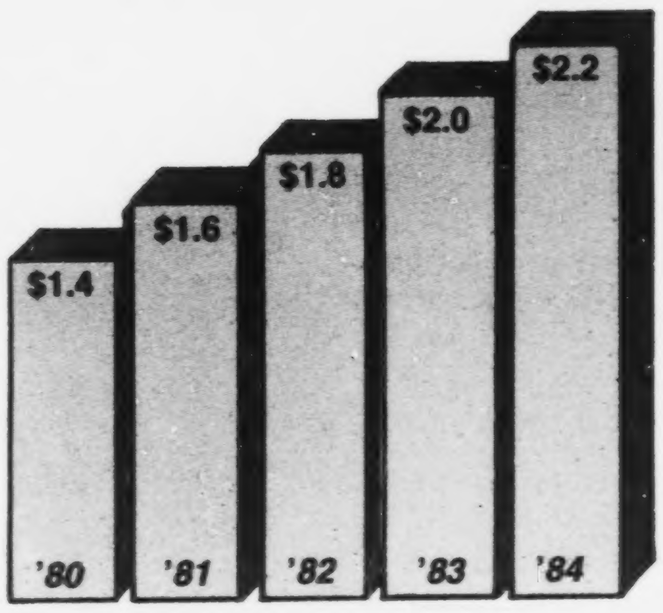


The Prescription Center
Walgreens

Walgreens DRUG STORE

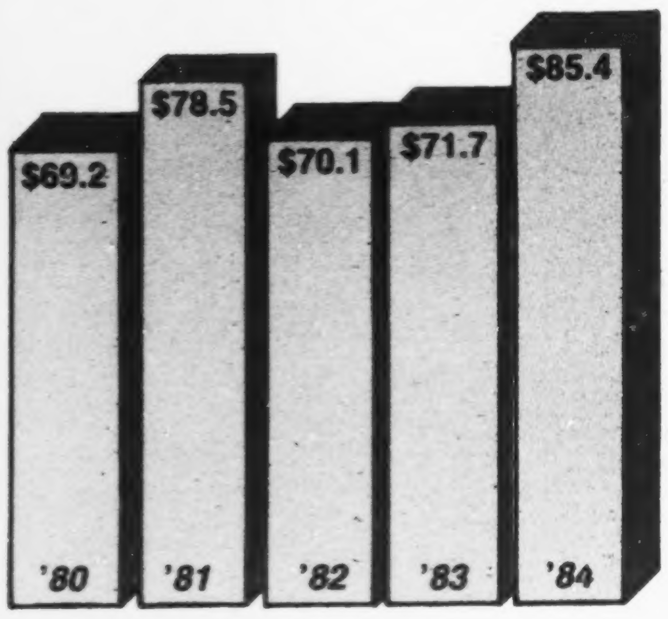
Eckerd bolsters operating strategy

Sales trends for Eckerd Drug

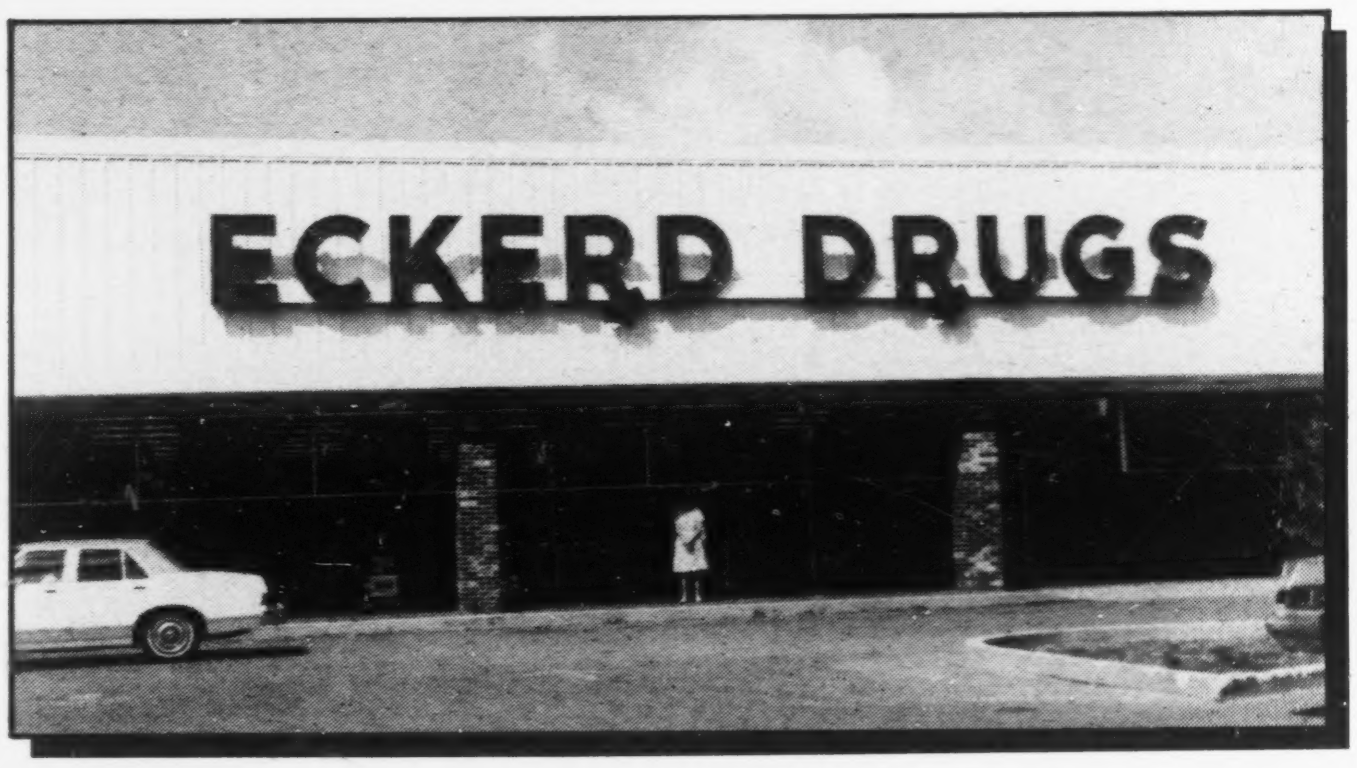


Sales in billions
Source: Company reports

Eckerd earnings up 19%



Earnings in millions
Source: Company reports



CLEARWATER — Eckerd's chairman and president Stewart Turley calls 1984 "a year for significant improvements for the company."

For the corporation as a whole, sales rose 13% to $2.62 billion during the year ended July 1984, while net profits increased 19% to $85.4 million.

The drug-store division, which accounts for about 86% of corporate sales, generated a 12% sales gain for year-end sales of $2.2 billion. At the same time, operating profits for the division surged ahead a lusty 23.5%, helping to offset losses at Eckerd's American Home Video division as well as an earnings decline in the JByrons department store division.

In setting strategy for 1985, Turley said that the corporation would try to strengthen the JByrons division by opening fewer new stores and by putting a stronger emphasis on the operations in existing stores. He also predicted that American Home Video, which has consistently operated at a loss, would show its first operating profit this year. The ceo has since revised that prediction to break even at best for the troubled chain of video stores.

In the drug division, the company rebounded after two years of depressed sales and earnings by activating a number of merchandising and operational strategies, including:

- consolidating buying and all merchandising groups into the company's headquarters in Clearwater;
- grouping the company's six drug divisions under two executive vps as a first step in "nationalizing" the company;
- stepping up Eckerd's image and visibility as a health-care provider by increasing the number of ads and promotional programs stressing the pharmacy and the preservation of good health;
- experimenting with new store designs and new layouts developed to improve merchandise presentation and shopping convenience;
- expanding the installation of pharmacy terminals to the point where about 900 stores, or 59% of the division, will have Rx terminals by the end of fiscal 1985 in July.
- installing computerized point-of-sale registers in select stores to monitor transactions and inventory status, and
- opening another 216,000-sq.-ft. distribution center in Hammond, La.

Earlier this year, president Harry Lambert consolidated the company's 13 division offices into eight district offices, and at the same time, redefined the responsibilities of Eckerd's division managers.

To make it possible for desk-bound division managers to liberate themselves from paperwork and get into the field where the action is, Lambert relieved them of distribution and accounting responsibilities.

Those responsibilities were transferred to Curt Neel, Eckerd's vp of distribution for operations services, whom Lambert describes as the company's "distribution expert."

Freed from their distribution and accounting responsibilities, the division managers would now be able to concentrate more effectively on store sales and store operations, Lambert said.

"Our strongest guys are at the division level," he said, "and they felt, as we did, that they weren't spending enough time in the field."

Under Eckerd's old system, the district managers reported to Neel on a dotted line basis. According to Lambert, the system was similar to "operating more like a regional chain."

Before, the distribution center could only service the stores in its region. Under the new system, Lambert says the distribution end of Eckerd's business will be run more like a national chain.

"If it's cheaper for us to ship a store in North Carolina from Atlanta," he said, "we'll ship from Atlanta. We're going for the operational efficiencies and we expect them to yield substantial savings."

Lambert also says that the new system will keep district managers in better touch with the chain's customers.

"When you have 1,500 stores," he says, "it's hard to stay in touch with everything. There are too many layers of management."

Eckerd, he admits, had been losing touch with the field, not always aware of how customers were reacting to its stores or if all the hot new products that Eckerd could promote were getting into the stores.

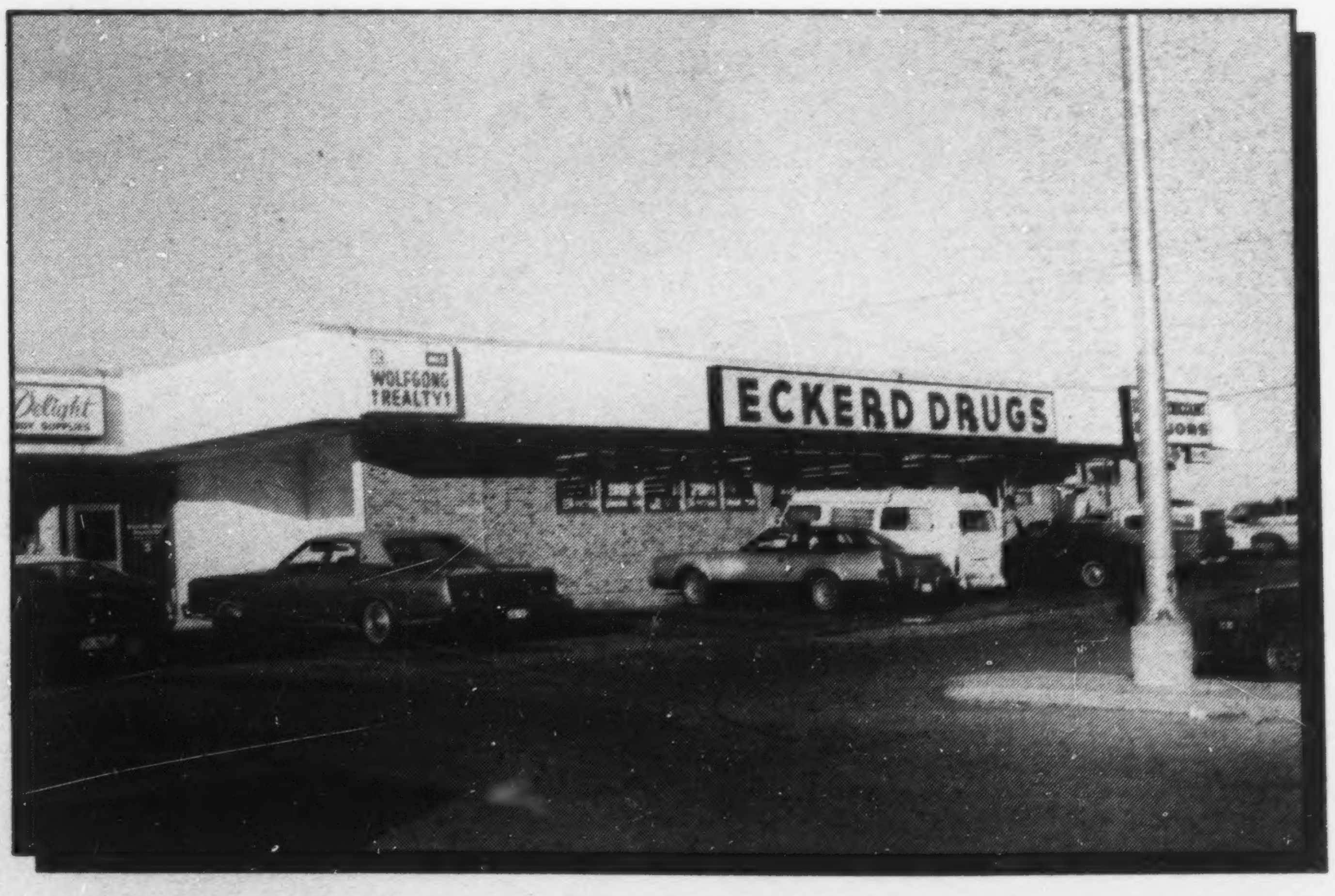
Now Lambert says the district managers will spend more time in the stores, supervising them and talking to the customers.

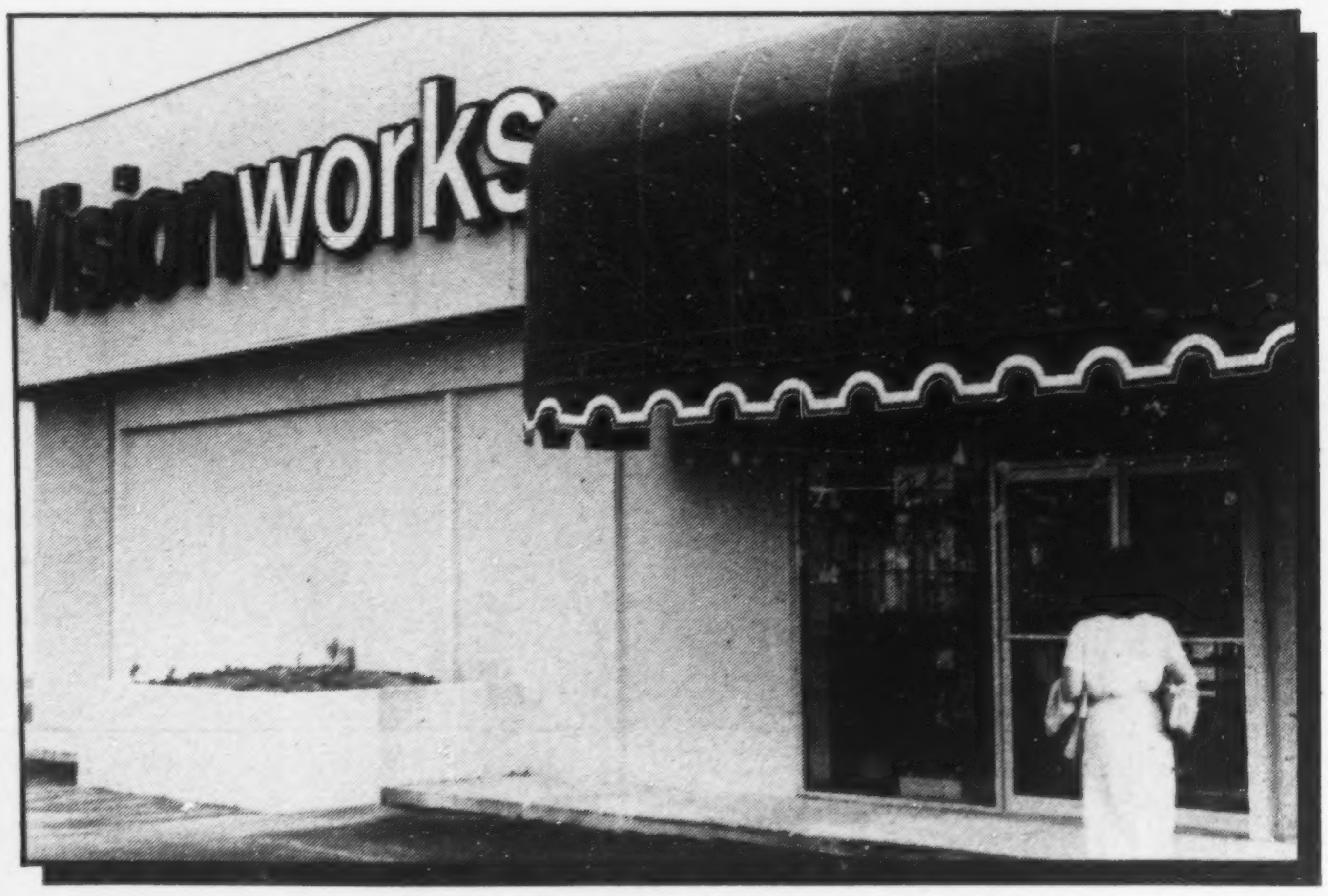
"We'll also be doing more training and getting better feedback on day-to-day operations," he said.

In the fall of 1983, Eckerd also became the first drug chain to open an optical "superstore." Vision Works, as Eckerd named the first store in Clearwater, stocks about 10,000 eyeglass frames from $29.99 to $27,000.

The store employs a staff of 25 opticians and optical and laboratory technicians. It also makes retail space available to a team of optometrists who carry on a private practice.

Eckerd, which also operates 152 traditional in-store optical departments, opened a second Vision Works last year in Charlotte, N.C., and plans a third shortly in Tampa.



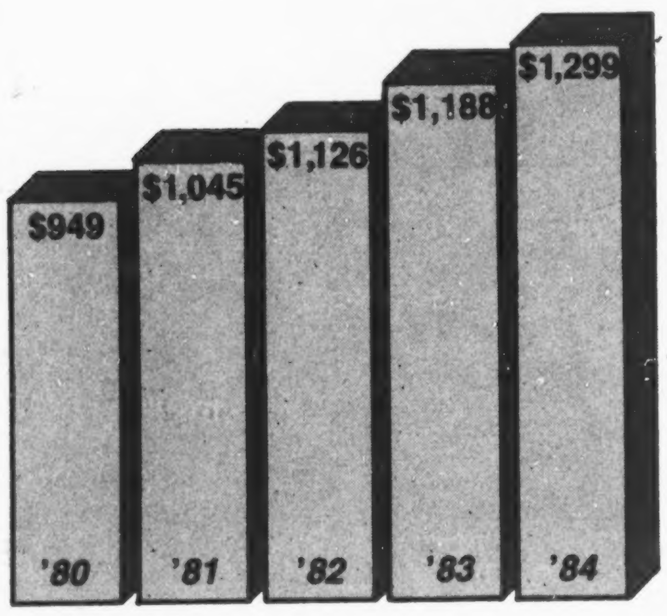


No more 'catch up' as Thrifty takes lead

LOS ANGELES — For years Thrifty played catch-up. They were late in weaning away from service cosmetics; late in switching to self-service liquor and promotional foods. And they were testing two pharmacy terminal systems in a handful of stores long after Pay Less NW, Pay 'n Save and Longs were installing them chainwide.

But those days are faded memories because today's Thrifty is a rejuvenated giant—from its Perfecto prototype to diversification into discount book and auto supply stores.

Thrifty sales up 9.4%



Sales in millions
Source: Company reports

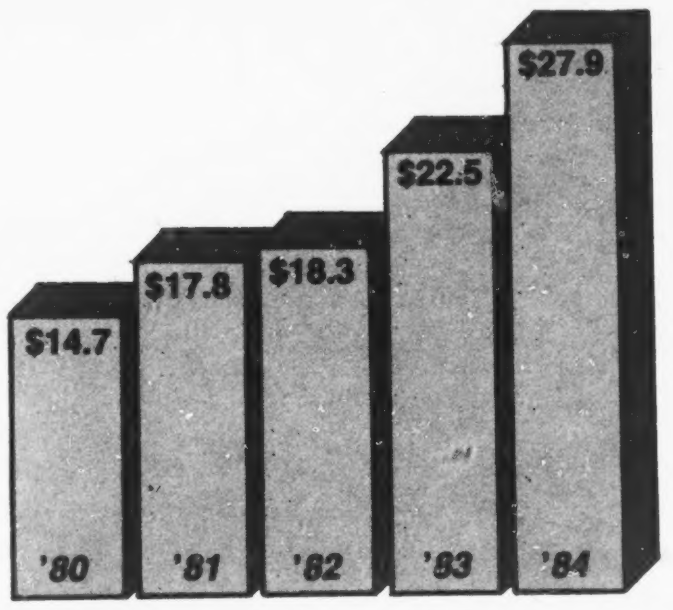
And now the latest thrust forward: a $60 million in-store computer system being tested in the Los Angeles area. The system has five major components: POS registers, direct store delivery, store inventory management, energy management and labor scheduling.

Thrifty is also beefing up its support systems. The corporation will add 35,000 sq. ft. of mezzanine space to its 400,000-sq.-ft. Anaheim distribution center and will install $1 million in new equipment. In addition, the chain will spend $2.5 million to open a new 20,000-sq.-ft. film processing plant in northern California. The new plant will enable Thrifty to increase its film processing volume 250% in five years.

The support systems will dovetail into Thrifty's expansion program, which will see 25 new stores go onstream in fiscal 1985. This is the largest number of new stores since 1976.

The engine powering the revitalized Thrifty machine is its fiscal performance. For the 55th consecutive year, sales increased, and for the 30th consecutive year, same-store sales (excluding those opened during the past two years) have increased over the prior year. Also, it is the 28th year out of 30 where profits have increased over the previous year. In fiscal 1984, Thrifty sales were $1.3 billion; net income, $28 million.

Thrifty net earnings surge 24%



Earnings in millions
Source: Company reports

The only dark cloud in Thrifty's golden lining is Trak Auto West, owned 50% by Thrifty and 50% by the Dart Group of Landover, Md.

As of May 1984, Thrifty was losing about $1 million per quarter on Trak. Thrifty hopes to break even in the fourth quarter of fiscal 1985 but admits that Trak is running one year behind expectations.

At present, Trak operates 50 stores in the Los Angeles area and expects to have 70-80 in operation by August 1985, with a total of 90-100 by December 1985.

Crown Books, originally a 50-50 partnership with Dart, went public in August 1983, and Thrifty and Dart each own 34% of the stock. Thrifty has invested $12 million in Crown, and its holdings in the 183-store book chain are now worth $33 million.

Expand sports chain

With the purchase of 10 Sportswest stores from Pay 'n Save for $8 million, the renamed Big 5 Sporting Goods stores will be the catalyst for expanding Big 5's California-Nevada operation into the Pacific Northwest. Because of economies in advertising, Thrifty is expected to open more Giant T drug stores in that area. It now operates 14 and has been on a no-growth pattern for years.

Private label is also getting the gun: $1 million in advertising for fiscal 1985. Thrifty's goal is to double private label sales in the next two years and thereby raise overall gross margins three-tenths of 1%. The slogan for the new private label program is: "If you can't tell the difference, why pay the difference?"

The chain continues its drug store renovation program. As of Nov. 30, 1984, 332 Thrifty drug stores—or 61% of the chain total—had been remodeled in the Perfecto image.

Thrifty is putting its house in order just in time to defend its market share against the expected onslaught by Sav-On, its principal southern California competitor. Since American Stores acquired Jewel (Sav-On had been a division of Jewel), American has started refashioning Sav-On in its own image. And that image includes aggressive pricing. In view of Sav-On's slippage, that course appears to be predestined.

Record sales, earnings for Shoppers

TORONTO — Although faced with increased competition throughout many of its operating regions in Canada, Shoppers Drug Mart is closing in on another year of record sales and earnings.

Through the first nine months of its fiscal year, Canada's largest drug chain generated systemwide sales of $1.1 billion (Canadian), up 12.3% from the $978.7 million the previous year. Operating income for the three-quarter period was up 14% to $29.6 million from $25.9 million the previous year.

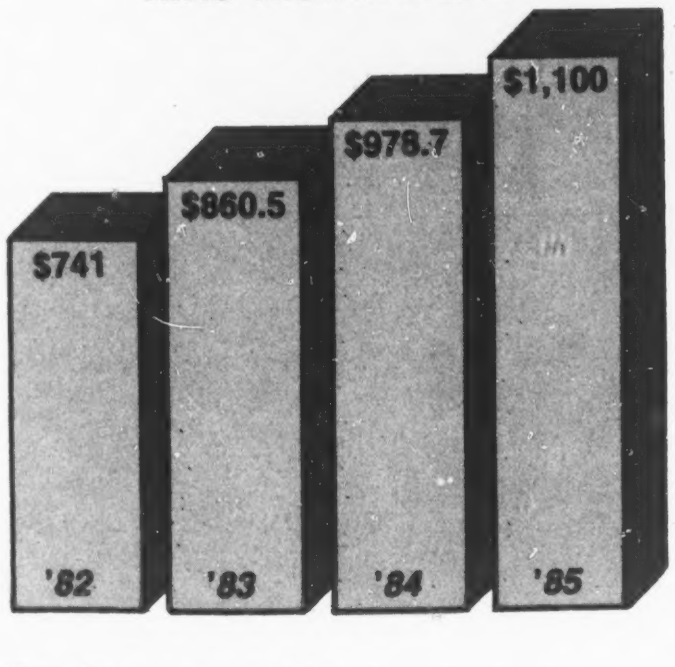
Revenues during that period, which includes franchise fees and other income but excludes sales by Shoppers stores, grew 11.7% to $52.5 million from $47 million.

Shoppers' performance this year, coupled with the strong gains posted by its sister chain in the U.S., Peoples Drug Stores, contributed heavily to the substantial increases in sales, revenues and earnings at the parent company, Imasco Ltd.

However, Shoppers' fast-paced growth is no longer a given. Competition from food/drug combo operators and high-volume deep discounters is a serious concern for chain officials.

Shoppers' stores in western Canada in particular have been plagued by the incursion of food/drug stores, which company officials acknowledge has heightened price competition and affected the bottom line in that region.

Shoppers Drug Mart nine-month sales*



*Canadian dollars in millions
Source: Company reports

Elsewhere, other Shoppers stores have had to deal with the invasion of the deep-discount format. Although deep discounters have not posed as great a problem in Canada as they have in many large U.S markets, the sprawling off-price stores are expected to garner a larger share of the business over the next year.

Shoppers has been quicker to react to the deep-discount threat than many of its U.S. counterparts. The 442-unit chain has followed the rise of the deep discounters in the U.S. for some time and one year ago opened its first true deep-discount store in Toronto.

Dubbed Howie's, the store has been a major success for Shoppers. Some chain officials predict that the store could generate $10 million in sales during its second year of operation.

In March, Shoppers opened its second Howie's in Toronto. The store also marked the chain's first test of point-of-purchase scanning equipment.

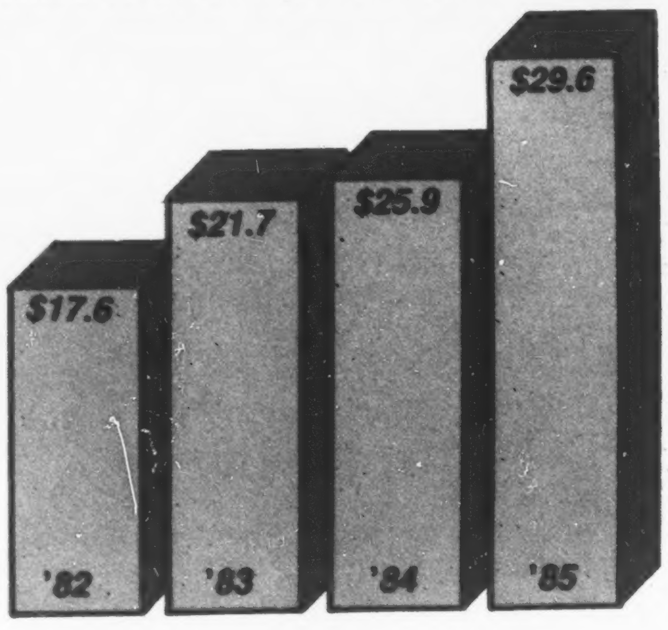
Earlier this month, Shoppers' Pharmaprix division planned to open its first deep-discount drug store in Montreal called Pharmaprix Carnaval. A second Carnaval store also is slated to open this spring in Montreal.

In addition, Shoppers plans to roll out the deep-discount format in other Canadian cities, including Winnipeg, Manitoba and Windsor, Ontario, later this summer.

Two notable events occurred this year within Shoppers' U.S. operations. Shoppers pulled out of Seattle-Tacoma after it was unable to penetrate the markets.

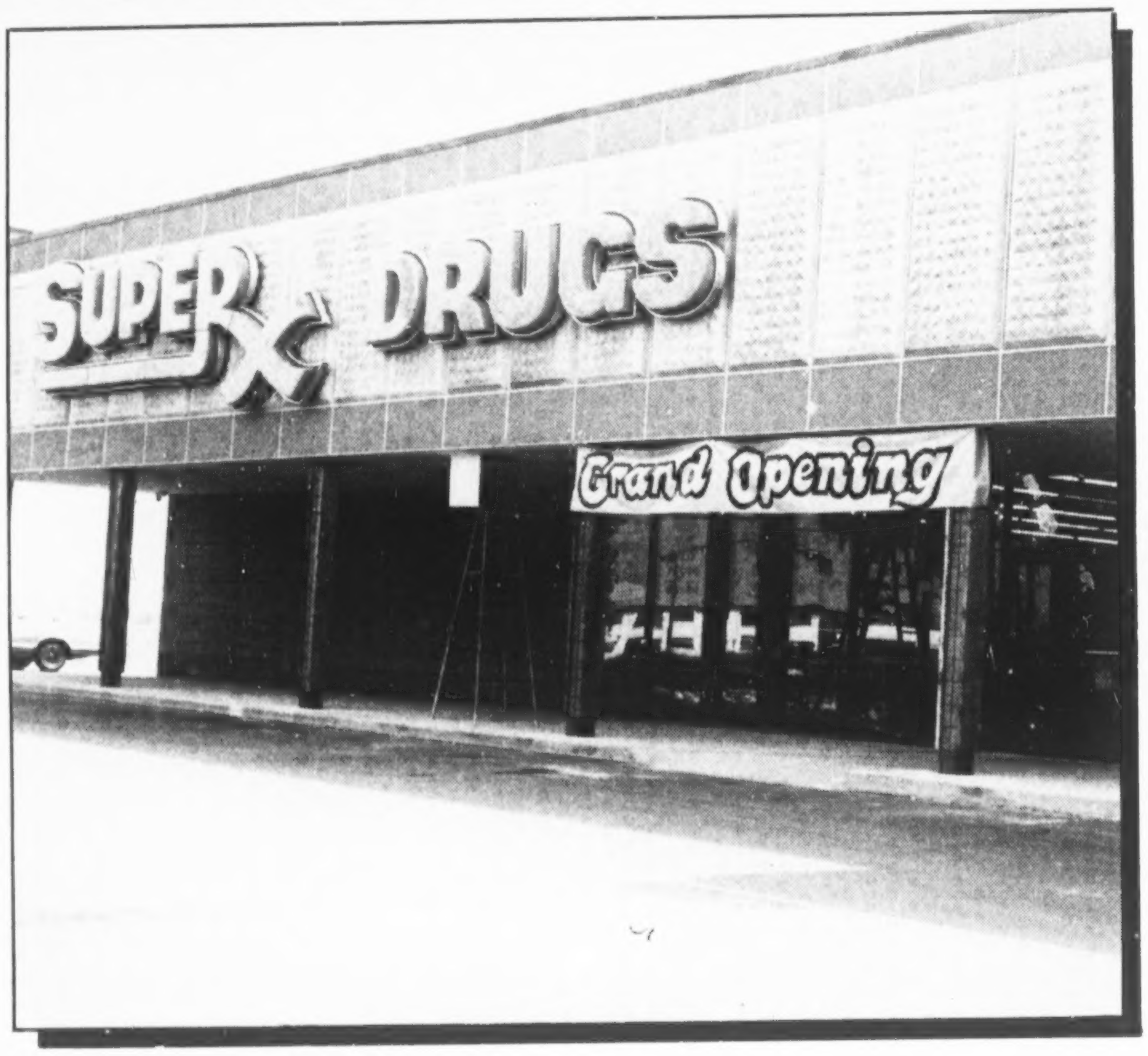
In the chain's Florida division, the news was more upbeat. Shoppers opened its first new store in the state in nearly four years. The opening of the 31st store in Florida took place as the chain's Florida division turned profitable for the first time since Shoppers entered the state in 1974.

Shoppers Drug Mart nine-month operating earnings*



*Canadian dollars in millions
Source: Company reports

SupeRx momentum continues into 1985



CINCINNATI — SupeRx, the 25-year-old, 621-drug store division of the Kroger Company, continued to develop into a strong regional drug retailer in 1984.

The chain, after a soft first six months, rebounded and showed sales of $859.5 million for the year ended Dec. 29, an 8.8% increase over the previous year's sales of $789.6 million.

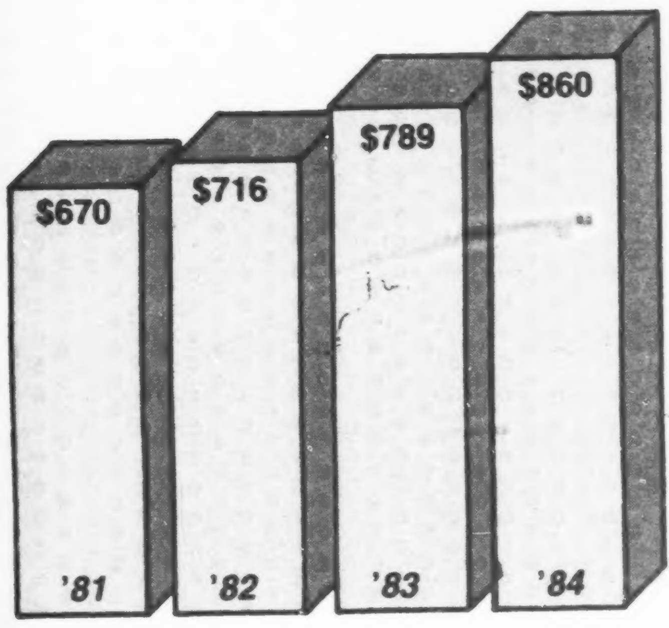
Pretax operating profits grew 4.4% to $28.4 million, from fiscal 1983's $27.2 million. However, company officials pointed out that the 1984 results included a $5.5 million pretax LIFO charge.

SupeRx used the FIFO method in 1983 and would have shown greater operating profits in 1984 had it not switched to LIFO.

SupeRx's parent, the Kroger Company, reported its sales showed increasing momentum throughout 1984, culminating in a record sales performance in the fourth quarter. Officials say that momentum is continuing so far in 1985.

Kroger's 1984 net earnings increased 23.3% to $156.6 million on sales of $15.9 billion. Sales increased 4.5% over 1983, despite the closing of 156 food stores during the year. Supermarket square footage declined approximately 5% during the year.

SupeRx sales soar



Sales in millions
Source: Company reports

The company's capital expenditure program reached $285 million in 1984. Kroger opened 46 new food stores and 29 SupeRx drug stores, finishing the year with 1,318 supermarkets, 443 convenience stores and 621 drug stores.

During 1985, the company expects to build 53 new supermarkets, 30 drug stores and 43 convenience stores.

In February 1985, the Kroger Company acquired the 314-unit Hook Drug Store chain, headquartered in Indianapolis. The deal was a cash and stock transaction valued at approximately $161 million.

These acquired stores will not become SupeRx stores, but will retain their present name. "It is important that Hook's is able to maintain its strong and visible identity in the communities it serves, and no changes are planned in the company's existing management and organization," claimed Lyle Everingham, Kroger's chairman and ceo at the time of the acquisition.

In March of last year, the Kroger Company launched a new replenishment system that's designed to save about $12 million a year in SupeRx stores alone.

The system consolidates all replenishment buying for both SupeRx and Kroger under one roof.

Kroger's Peyton Group, a wholly owned subsidiary, takes the responsibility for this replenishment buying.

Officials claim that this system, once it gets running at full potential, will save a minimum of $20,000 per store per year.

Enter home care

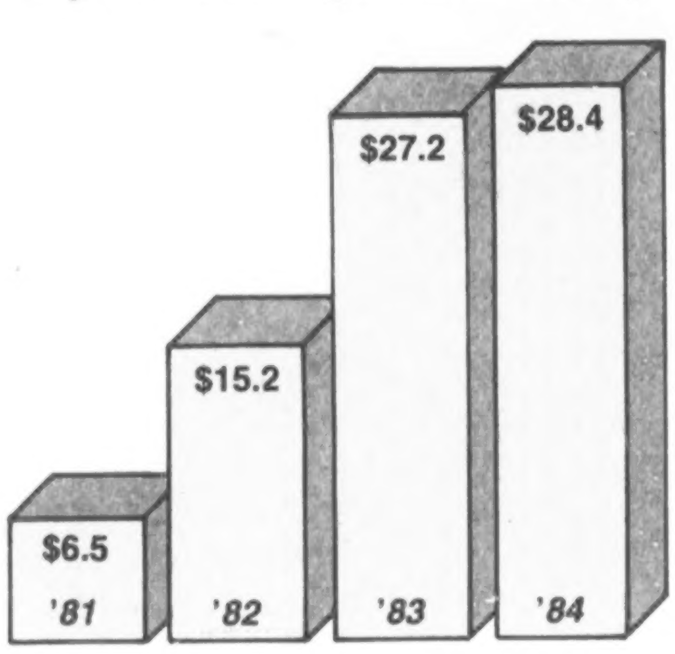
SupeRx entered the home health care business for the first time last year when it opened a 3,300-sq.-ft. in-store department in Nashville. That city was chosen for the new department because of SupeRx's strong identity in that market.

Testing of scanning equipment continued through the year at SupeRx, and officials say they are eager to find an appropriate system so a total roll-out can begin. "We're interested in developing a system that can do our gross profit testing for us," claims one official.

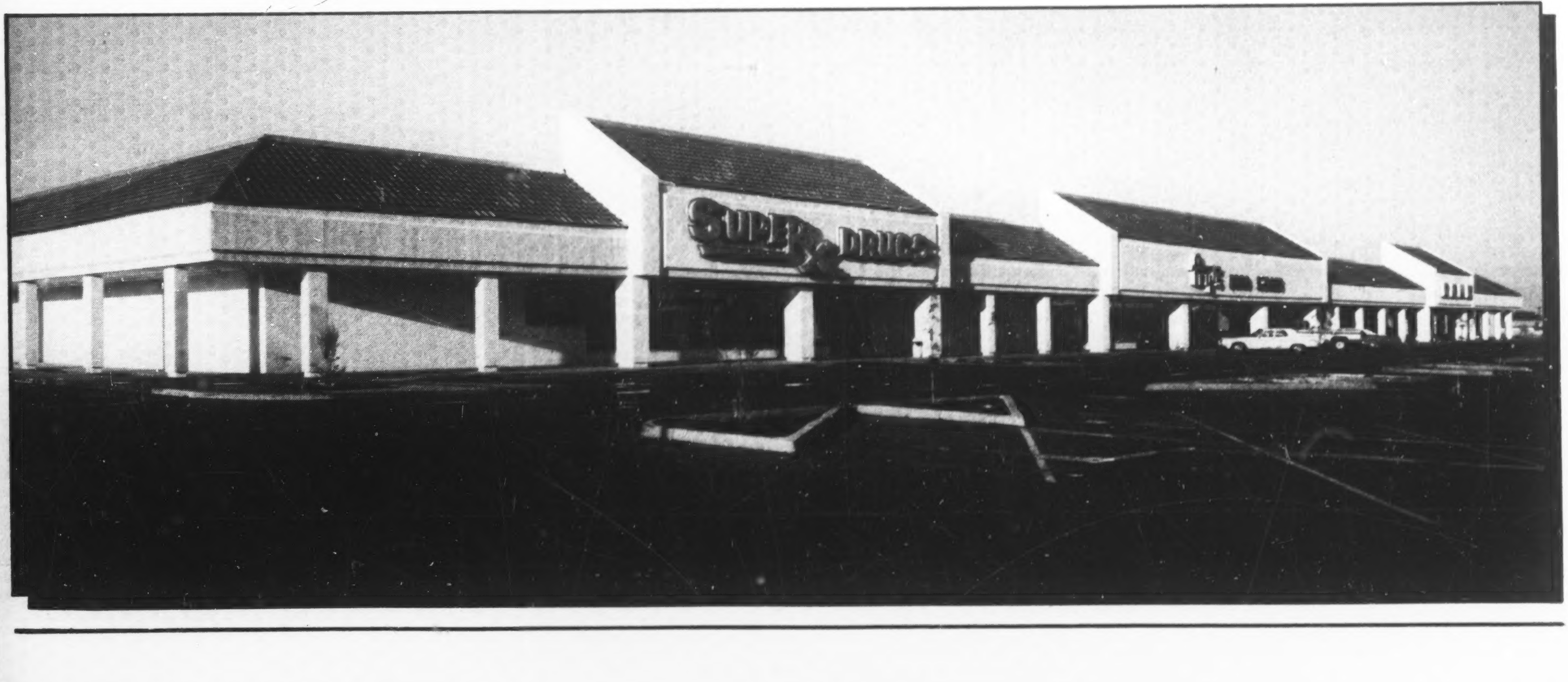
The early haphazard growth pattern that SupeRx followed for many years appears to have ended. Instead of spreading drug stores too thin in too many markets, the company has been making a concentrated effort to cluster stores and create a deeper penetration in the strong markets they already serve.

As this process continues in 1985, the economies of scale will help strengthen the division's bottom line.

SupeRx earnings climb slowly



Pretax earnings in millions
Source: Company reports



Peoples acquires Pa. market leader

ALEXANDRIA, Va. — Last year it was the acquiree. This year, bankrolled by its new parent, Imasco Ltd., Peoples Drug Stores played the opposite role and acquired the 134-unit Rea and Derick drug chain.

Following the sale of Peoples last year to the Montreal-based Imasco, Sheldon "Bud" Fantle, Peoples chairman, president and ceo, said that the chain would "be able to move forward at a much more rapid pace."

Considering the actions Peoples has taken in the past year, Fantle wasn't exaggerating. In addition to purchasing Rea and Derick from American Stores for $85 million, Peoples opened its first deep-discount drug store (appropriately named Bud's), unveiled two new home health care stores, entered the fast-food business with the opening of Hardee's restaurants in two stores and added approximately 50 more new drug stores.

PEOPLES
INSTANT
SPRAY
STARCH
with SILICONES added
Just Spray and Iron
CAUTION: CONTENTS PRESSURIZED
Read back panel carefully
NET WT. 22 OZ. (1 LB. 6 OZ.)
PEOPLES
INSTANT
SPRAY
STARCH
with SILICONES added
Just Spray and Iron
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Read back panel carefully
NET WT. 22 OZ. (1 LB. 6 OZ.)

Through the first nine months of the current fiscal year, Peoples recorded operating earnings of $34.1 million on sales of $744 million.

For the third quarter, ended Dec. 31, Peoples posted operating earnings of $16.6 million on sales of $291 million. Same-store sales for the third quarter were up 9%.

Peoples' acquisition of Rea and Derick provides Peoples with considerable coverage in central and southern Pennsylvania, where Rea and Derick is considered the market leader.

While some of the Peoples drug stores are located in the Rea and Derick markets, chain officials are leaning toward retaining the Rea and Derick name because it is such a dominant force. The only exception is in the Lancaster, York and Harrisburg markets, where about 30 Rea and Derick stores will be converted to the Peoples name.

Peoples intends to maintain a separate buying staff at Rea and Derick. The chain named Jim Johnston, formerly regional vp, to the post of coo and divisional president of Rea and Derick, replacing Larry LaRock, who returned to American Stores. Johnston was joined by Jon Rudden, who was named assistant vp and general merchandise manager.

Bud's unveiled

On the deep-discount front, Peoples late in the fall unveiled a new 35,000-sq.-ft. off-price prototype called Bud's in Greenbelt, Md. Following its successful test, Peoples is poised to introduce Bud's into other markets. The chain plans to bring Bud's to Indianapolis in June, and a second unit is scheduled to debut in that city during the fall of 1985.

Peoples added two more home health care stores during the year, bringing the number of those stores up to four. At least five more are in the planning stages for the coming fiscal year.

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...ars!
superAngle
superAngle

The Alexandria-based chain also plans an aggressive store expansion program for its conventional drug stores, with more than 50 openings planned.

During the year, Peoples continued to consolidate more of its Haag stores in Indiana to the Peoples name. In addition, the chain also completed major remodeling efforts with the Baltimore Sav-A-Lot stores, acquired in 1983.

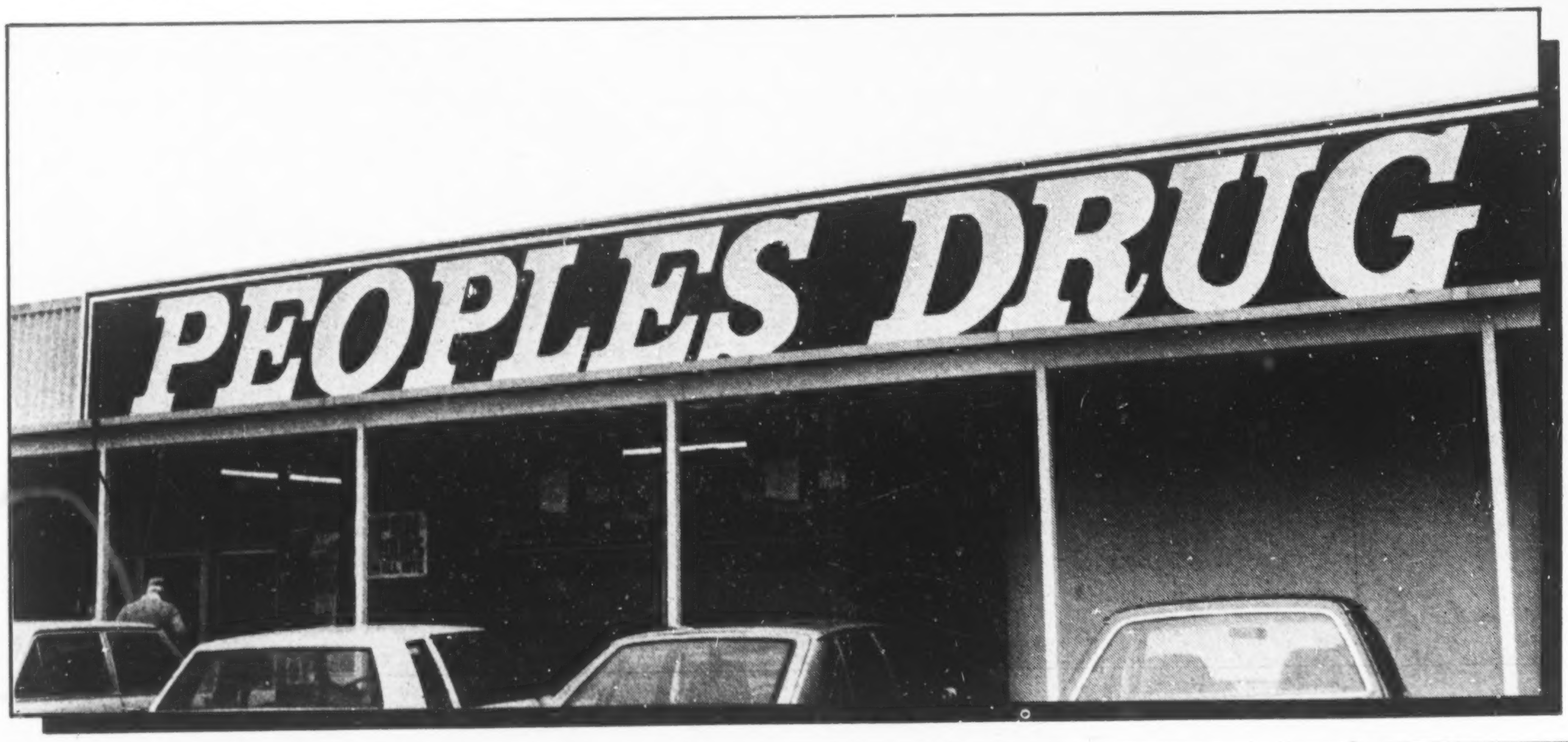
In other areas of specialty retailing, Peoples will wind up the year with four Smiles gift and stationery stores. Several more are on the drawing board for next year.

The chain also earlier this month entered the fast-food business. Peoples began testing hamburger restaurants in two locations with Hardee's Food Systems, a sister division in the Imasco family.

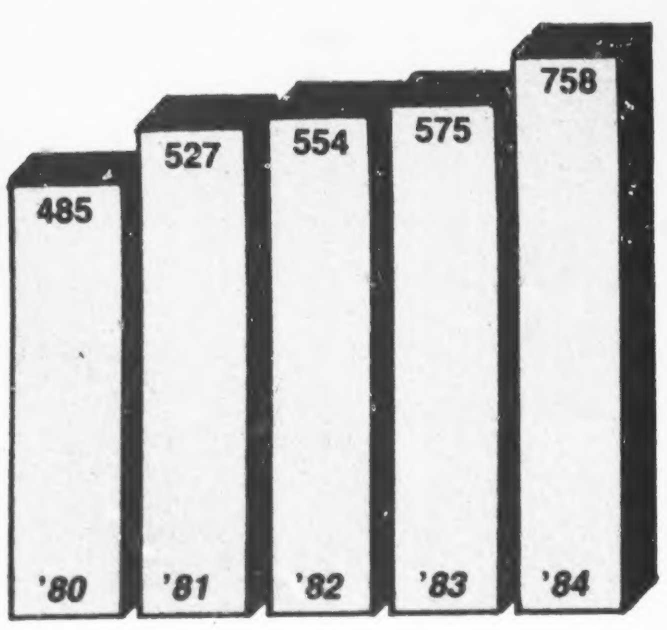
Both Hardee's units are separated by a wall from the drug stores. Ray Orndorff, Peoples' director of retail food operations, is overseeing the operation of the restaurants.

Plans call for Peoples to open at least seven more Hardee's in the coming year.

Peoples also expects to open at least 13 more optical departments during the next fiscal year. Currently, 55 of the Peoples drug stores contain optical departments.



Peoples five-year store growth



Source: Company reports

1985 Annual Report of the Chain Drug Industry

Adams: Pantry Pride's surprise buy

PAWTUCKET, R.I. — The acquisition of Adams Drug in November by Pantry Pride Inc. took many industry observers by surprise.

Pantry Pride, a struggling supermarket chain, emerged from Chapter 11 bankruptcy proceedings three years ago considerably smaller and its future very much in doubt. It had retreated from the New York and mid-Atlantic markets to concentrate its efforts primarily in the Sunbelt states of Florida and Georgia.

The $100 million purchase of the New England-based Adams Drug seemed a strange fit. But clearly, Pantry Pride's strategy was to diversify into the mainstream of retailing.

The company is currently negotiating the sale of its 44-store Jacksonville, Fla., division, which would leave Pantry Pride with only 36 supermarkets. And there is some speculation that the company is looking to abandon the supermarket business entirely.

Armed with sizable tax-loss carryforwards from the bankruptcy proceedings, Pantry Pride earlier in the year paid $82 million for Devon Stores, a chain of general merchandise stores that operate near military bases.

Adams was an attractive property for Pantry Pride. The chain operates 443 drug and health & beauty aids stores in Massachusetts, Rhode Island, Pennsylvania and New York.

Through the first nine months of the fiscal year, sales increased 9.1% to $239 million from $219 million the previous year. Net earnings were down 19.6% to $2.05 million from $2.5 million in 1983.

Pantry Pride said that if Adams had continued to finish out its fiscal year, the chain would have posted a 16.5% increase in sales to $332.1 million and a 12% increase in net income to $18.5 million.

During the year, Adams consolidated more of its stores under the Brooks name. The chain also accelerated the conversion of its health & beauty aids stores to full-service pharmacies. At the close of 1984, more than 70% of its stores contained pharmacies.

In 1985, Adams plans to open approximately 25 new stores. The chain also has slated 40 to 50 stores for remodeling. An additional 20 health & beauty aids stores will be converted to pharmacy units this year as well.

When the Salmanson family announced their intentions to sell the drug chain, there was some speculation that another drug retailer would emerge as a suitor, possibly signaling a change in management at the 52-year-old chain.

However, Pantry Pride's decision to purchase the chain has solidified the positions of several leading executives at Adams.

New posts

Earlier this year, Pantry Pride named James Salmanson, formerly executive vp, to the post of vice chairman. The parent company also promoted Arthur Villeneuve and George Neville to executive vp's. Both had served as senior vp's.

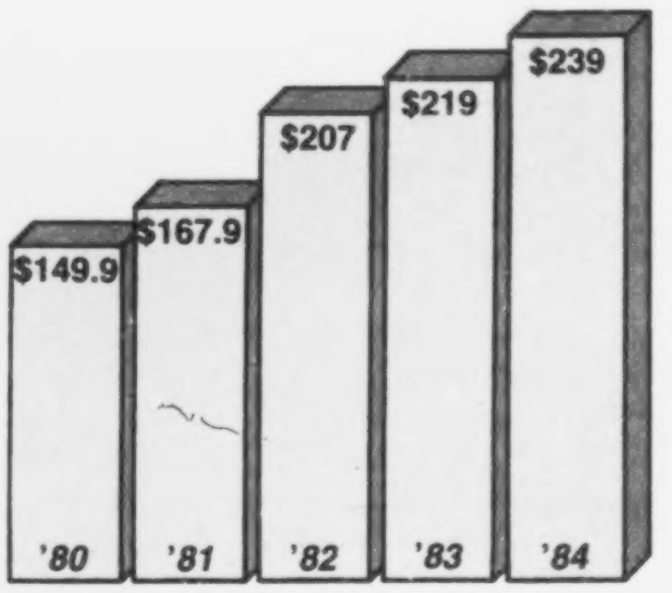
Aside from the management changes, Pantry Pride has done little to alter operations at Adams, with the exception of converting the drug chain to the FIFO method of valuing inventory from LIFO. The conversion resulted in a $25 million write-up in inventory levels.

Pantry Pride has also been preoccupied with its own internal problems since acquiring Adams. Shortly before the purchase was finalized, principals of its Devon Stores subsidiary staged a proxy fight to topple Pantry Pride's chairman and ceo, Grant Gentry.

Management at Pantry Pride won the bitter proxy battle, but at a cost of nearly $2.8 million.

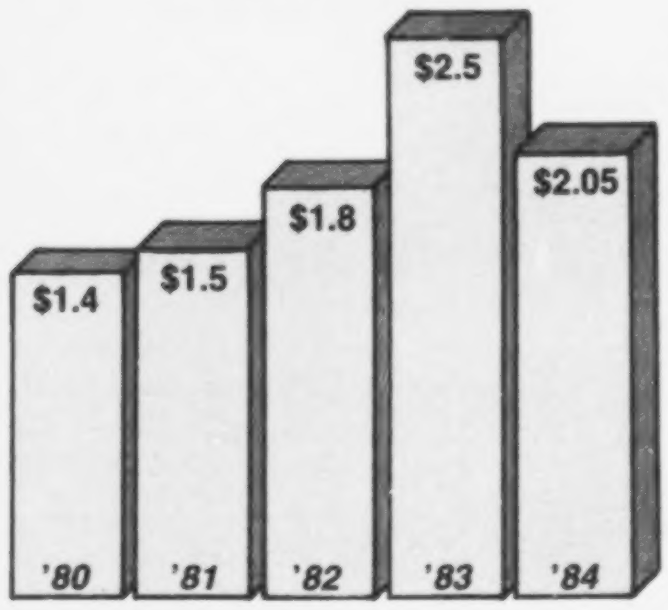
The cost of the proxy contest depressed earnings through the first two quarters of the year. Pantry Pride reported that six-month net income was down 16% to $4.6 million from $5.5 million the previous year. Sales for the period were up 18.8% to $487.6 million from $410.3 the previous year.

Adams Drug nine-month sales



Nine months ended Sept. 30
in millions
Source: Company reports

Adams Drug nine-month earnings



Nine months ended Sept. 30
in millions
Source: company reports

Thrift cuts costs, remodels 27 units

PITTSBURGH — Record sales and improved control over operating expenses combined to give Thrift Drug its highest profits ever in 1984.

The J. C. Penney subsidiary showed a yearly sales figure of $591 million, up 11% from $532 million in 1983. The same-store increase was 9.9%.

Thrift Drug, also operating as Treasury Drug Centers, was operating 373 stores in 20 states at year's end. During the year the company opened 16 drug stores and closed six. In 1985, 20 new stores are scheduled to open.

Continuing its plan to upgrade existing stores, the company remodeled 27 units during the year, and plans to do the same with 25 stores in 1985.

A typical Thrift, or Treasury, drug store is an 8,500-sq.-ft. unit averaging about $1.7 million in sales per year.

The company's annual sales per square foot was $180 in 1984.

During the year, about 83% of the company's total volume was handled through its three distribution centers. Overall, at year's end, space in the warehouse distribution centers totaled 781,000 sq. ft.

The company dispensed 17.2 million prescriptions in 1984, an increase of 16% over 1983. Thrift, one of the leaders in pharmacy computerization, had 346 of 373 Thrift and Treasury stores equipped with terminals at year-end. Prescriptions accounted for 34% of Thrift's total sales, the same as in 1983.

Substantial growth also occurred in Thrift's mail-order pharmacy business. During the year, this segment of the company teamed up with several major industrial companies to provide low-cost mail-order scripts to employees of those companies.

"The nature of this business is high volume," a spokesman added.

Two officials of the Pittsburgh-based Thrift Drug stores were also busy this year organizing chain drug store support to help save the Pittsburgh School of Pharmacy.

The school, experiencing financial difficulties, was in danger of closing its doors until Donald Bell, vp public affairs, and Francis Marasco, vp personnel, stepped in to help.

"The pharmacy school at Pitt is very important to the profession," said Bell. "Most of the major chains depend on the school for pharmacists. We cannot allow the school to close."

Aside from his own Thrift chain, Bell has organized several major chains, a manufacturer, a wholesaler and the NACDS into a group that will present an endowment fund to the school. The goal is to have $200,000 in that fund at the end of three years.

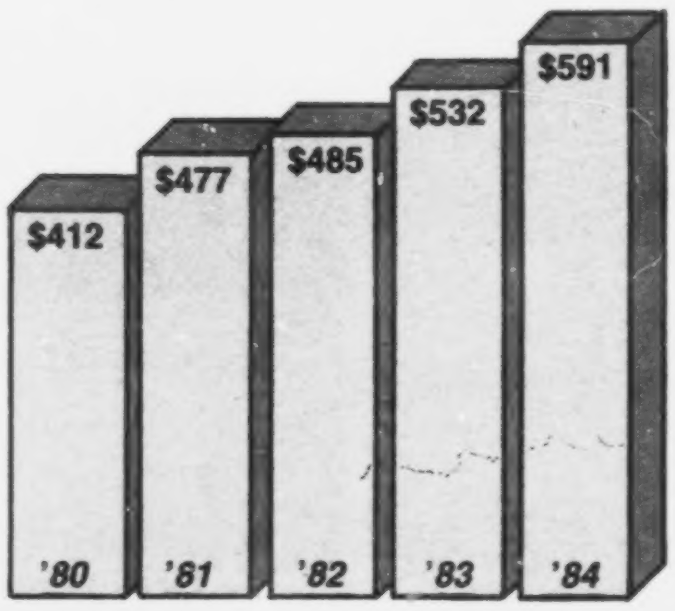
The group also used political clout to lobby the university officials into seeking several ways of saving the school.

Thrift's parent, the J. C. Penney Company, also reached all-time high sales figures for 1984. Including catalog sales, the company showed sales of $13.5 billion, an increase of 11.4% over 1983's figures.

However, the company's earnings declined 6.9% to $435 million from $467 million.

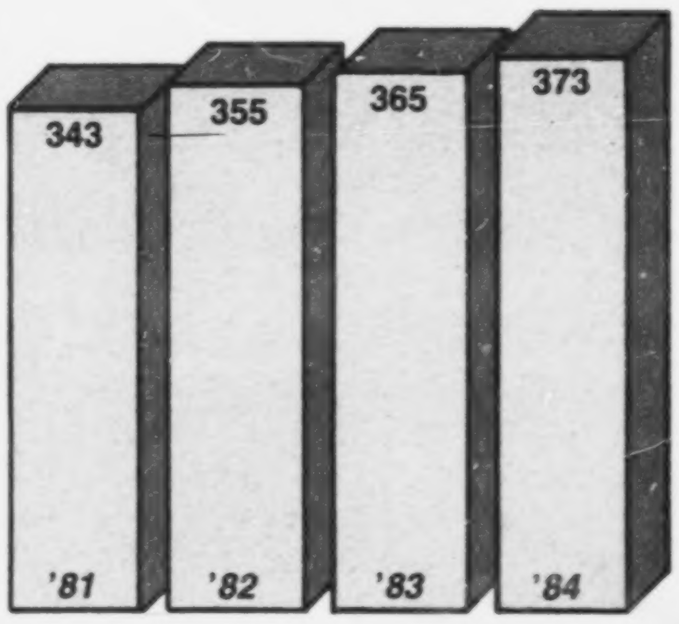
Penney officials attribute that decrease to heavy markdowns of merchandise during the fourth quarter when the anticipated surge in seasonal sales did not materialize for the company. The effect was a buildup of inventories and competitive pressures which accelerated markdown and promotional activity.

Thrift sales approach $600 million



Sales in millions
Source: Company reports

Thrift store count climbs to 373



Number of stores
Source: Company reports

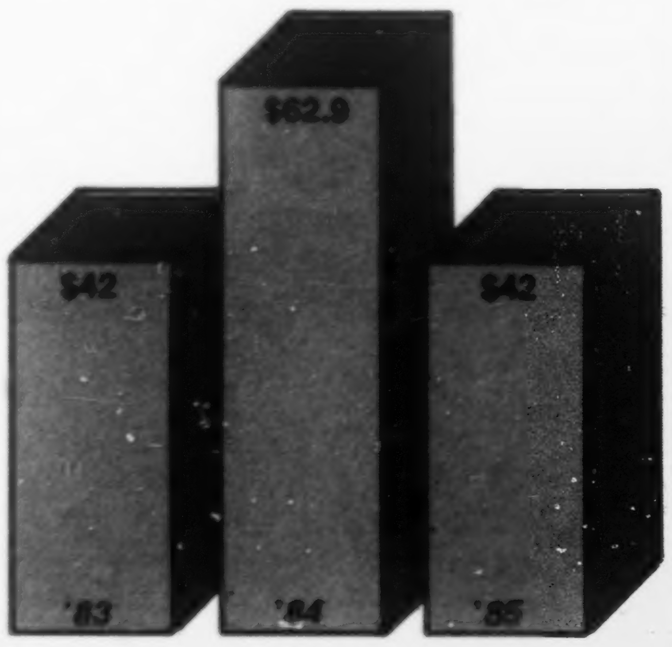
Revco D.S. falters despite high hopes

TWINSBURG, Ohio — After reaching the climactic $2 billion sales mark during fiscal 1984, Revco D.S. seemed on the threshold of even greater growth in sales and earnings via expansion of its drug stores and carefully calculated diversification moves. Instead, the company that operates more drug stores than any other drug chain in the U.S. stumbled.

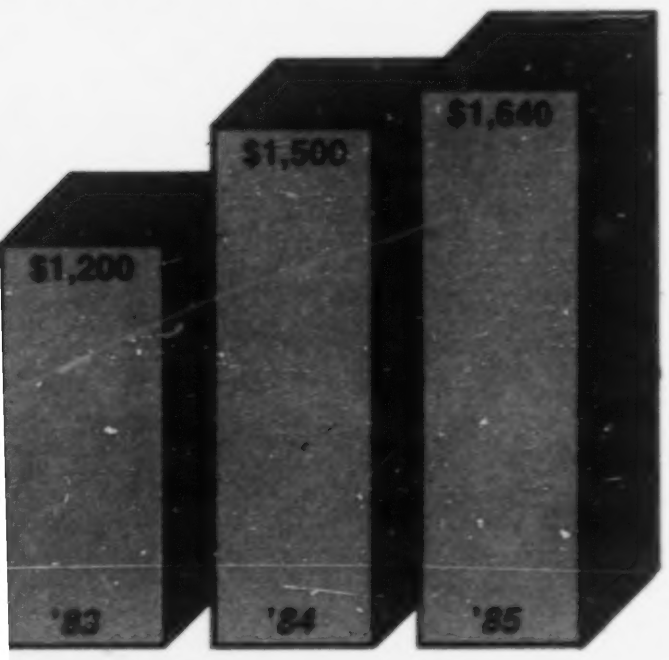
Through the first three quarters of the year, ended Feb. 9, 1985, net income plunged 33% to $42 million, or $1.14 a share, from $63 million, or $1.71 a share the previous year. Sales for the first three quarters of the year were up 9% to $1.64 billion from $1.5 billion the previous year. However, when measured on a same-store basis, sales were up an anemic 5.6%.

How did things turn from good to bad so fast? While no one factor was wholly responsible for Revco's startling downturn, its fourth-quarter acquisition of Odd Lot Trading has been the biggest thorn in Revco's side.

After more than two years of joint ventures with Odd Lot, Revco in April purchased the close-out retailer and wholesaler in a stock transaction valued at approximately $114 million. The two principals of Odd Lot, Bernard Marden and Isaac Perlmutter, received nearly 12% of Revco's common stock outstanding.


Revco nine month earnings*

*restated to reflect Odd Lot acquisition
(in millions)
Source: Company reports


Revco Nine Months Sales*

Restated to reflect Odd Lot acquisition
(in millions)
Source: Company reports

Two months later. Marden and Perlmutter launched a campaign to wrest control of Revco from Sidney Dworkin, the chain's chairman, president and ceo. The battle dragged on through the summer, and one of the casualties was Elliot Dworkin, Revco's vp of marketing and director of purchasing.

An internal committee investigating possible inefficient purchasing procedures, as charged by the two Odd Lot principals, recommended several changes. Among the changes was the appointment of Daniel Horwitz to vp of merchandising and purchasing, replacing Dworkin, who remained senior vp of marketing.

Stock plunge

In the midst of the Odd Lot struggle, Revco also had serious problems on its hands from another division. A vitamin supplement manufactured by Revco's Carter-Glougau pharmaceutical subsidiary was recalled after being linked to the deaths of several premature infants. Although Revco is adequately insured to cover any potential lawsuits, the incident clearly put the company on the defensive. Moreover, following news of the recall, Revco's stock plunged.

REVCO
prescriptions
Drop Off
Pick Up
QUALITY FILM PROCESSING at REVCO
REDUCED $ FOR QUICK CLEARANCE

During the chain's annual meeting in September, Revco's chairman, Sidney Dworkin, exhibited complete control of the chain, deftly answering questions concerning Odd Lot, as well as the Carter-Glougau incident. The much-awaited proxy fight between Revco and Marden and Perlmutter never materialized.

However, following a dismal second quarter in which net income plunged 43% to $10.4 million, compared with $18.3 million the previous year, management took several steps to reverse the downturn.

With Odd Lot continuing to show steep declines both in its retail stores division and wholesale division, Tangible Industries, Revco fired Marden and Perlmutter. Stephen Adler, executive vp at Odd lot, was named to oversee retail store operations and Leo Kaye was appointed to head Tangible Industries. Kaye was subsequently replaced by Peter Laitmon.

Rekindle sales

Revco also acted to rekindle sales in its drug stores. Reacting to inroads made by deep discounters, supermarkets and discount chains, Revco lowered prices on 3,000 health & beauty aids in more than 200 stores in six markets.

Revco is hopeful that the price cuts, which were enacted in Cleveland, Detroit, Pittsburgh, Youngstown, Baltimore and Erie, Pa., will have the same effect on sales as its pharmacy discounting program. Revco's pharmacy price cuts in more than half of its markets contributed in part to a 12.6% same-store, pharmacy department sales increase during the chain's recent third quarter.

With management conceding that earnings will also be off during the fourth quarter, analysts expect a turnaround at Revco some time during the first or second quarter of next year.

In addition to seeing the results of some of its corrective measures that already have been taken, Revco expects that the 160 new stores it opened during the first three quarters of the year will be up and running.

Through the first three quarters, Revco opened 116 drug stores and 44 Odd Lot stores, bringing its total store count to 1,867 stores.

REVCO DRUGS
VISIT OUR NEW convenient food dept.

American acts to unify 3 drug divisions

SALT LAKE CITY — Fiscal 1984 was a year of dramatic consolidation for American Stores' retail drug store subsidiaries.

In addition to divesting itself of the 134-unit Rea and Derick drug chain in mid-November, American also began taking steps to integrate its three remaining drug store subsidiaries, Osco, Sav-On and Skaggs, into one unified division.

American is in the process of converting all of its 108 Skaggs stores into Oscos. A few Sav-Ons have also been converted to Osco, but a company spokesman said a final decision on the remaining 176 Sav-On's would not be made until the end of fiscal 1986.

The Sav-On name is well established in southern California where the stores are concentrated, and American must weigh the advantages of establishing a common identity and a shared logo against the disadvantages of relinquishing an established name in a highly concentrated market.

With 530 drug stores in 30 states, American could build a strong regional identity for its drug stores if it opted to go with a common name and format.

There would be enormous savings from reduced overhead, plus the company could eliminate many services now duplicated in the divisions. It would also be more efficient and cost effective to advertise for one company rather than two.

The California stores as they are now run, however, are responsive to regional preferences and demographic trends. If the Sav-On stores were run as clones of Osco, they would inevitably lose some of their flexibility and responsiveness. It would be much harder to create a merchandise mix that would work as effectively in California as it might in Chicago Osco's headquarters or Salt Lake City, where American's corporate headquarters are located.

Also, Sav-On is currently in the hands of relatively new management. Dick George, who heads the Osco subsidiary, was recently named president of the Sav-On subsidiary too. George replaces Sam Parker, who left the company last month.

Sav-On also has a new vp of distribution, Ed McManus, who is doing double duty as director of warehouse operations; a new vp of marketing, Larry LaRock, who had been president of the Rea and Derick division, which was sold to People's Drug last year, and there are two men, Ross Coon and Dan Ramirez, pharmacy buyers/supervisors, who were just promoted to share the responsibility of the office of vp of professional services.

The new team will be trying to centralize the Sav-On purchasing and computer systems plus identify and liquidate underachieving stores.

OSCO
Coming Soon

Sav-On's distribution system also has been earmarked for a major overhaul, and there is talk that American may launch a price discounting campaign on health & beauty aids and other high visibility items to try to re-establish Sav-On as a price leader in the southern California market.

At Skaggs, sources expect George to centralize the division which has traditionally been run as a decentralized chain.

Like the managers of Longs stores, Skaggs managers have enormous discretionary powers. They can arrange their own buys and pretty much determine their own layouts.

When American acquired Osco through its merger with Jewel earlier in 1984, it acquired a much more centralized company, and sources expect George to use the experience and skills acquired with Jewel to further the consolidation of Skaggs.

Management admits, however, that the process will take time, and that's another reason why Sav-On will continue to function as an independent entity at least for the rest of this year.

245 combos

In addition to Osco, American's strongest vehicle for drug store retailing is its chain of 245 food/drug combination stores.

The combination stores, which are operated under the names Skaggs/Alpha Beta, Jewel/Osco and Buttery Food and Drug, are estimated to do somewhere between $4.9 billion and $6.3 billion a year in sales. Sources estimate that anywhere from 25% to 35% of that business comes from sales of drug store-related products like pharmaceuticals, over-the-counter drugs, health & beauty aids and sundries and other general merchandise.

The combination stores are expected to be American's major growth vehicle from now until at least the end of the decade.

The company is also continuing to beef up its drug store-related products in its regular and super food stores. Currently there are a total of 731 food stores in the company operating under the various names of Acme, Alpha Beta, Buttery, Jewel and Star Markets.

American does not break down its sales volumes by division, but sources familiar with the company estimate that the 245 combination stores are doing nearly three times the annual dollar volume of the 530 traditional and superdrug stores and nearly twice the volume of the 731 food stores.

For fiscal 1985 ended Feb. 2, American generated sales of $12.1 billion and net earnings of $185.5 million.

American stores stable of retail formats

Combination food/drug stores		*Food stores*		*Drug stores*	
Company	*Number of stores*	*Company*	*Number of stores*	*Company*	*Number of stores*
Buttery Food/Drug	34	*Acme*	321	*Osco*	246
Buttery/Osco	1	*Alpha Beta*	244	*Sav-On*	176
Jewel/Osco	118	*Buttery*	20	*Skaggs*	108
Skaggs/Alpha Beta	92	*Star Markets*	45		
		Jewel	101		
Total	245	*Total*	731	*Total*	530

THANKS FOR SHOPPING SKAGGS

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Sav•on

Begley seeks to brighten profit picture

RICHMOND — The Begley Drug Company ended its first three quarters of fiscal 1984 with sales 8% ahead of the same three quarters of 1983.

Sales for the first nine months of the company's year climbed to $50.1 million, up from last year's $46.5 million.

However, the sales increases were accompanied by an 11.7% drop in net income, from $726,000 last year to $641,000 for fiscal 1984.

Making a turnaround from a poor second quarter, Begley showed sales for the three months ended Dec. 31, 1984, at $19.1 million, compared to $17.6 million for the same period last year, an increase of almost 9%.

Sales that fell short of projections in December are being blamed for the 4% decrease in the third quarter's net income.

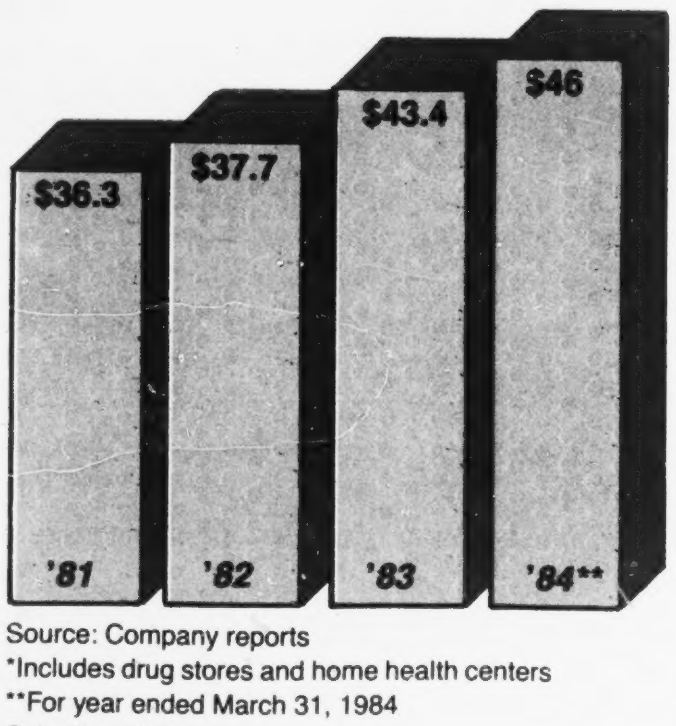
The company explained that net income before taxes was slightly ahead of the figure recorded for the same quarter last year. Net income after taxes, however, was marginally lower than it was for the same period last year because the company did not have the quantity of tax credits available to it that it had in the previous year's quarter.

Officials expect sales during the fourth quarter to come close to projections with profits above those of last year.

In fiscal 1983, the company earned $733,460 on total corporate sales of $61.5 million.

The Begley Drug Company is divided into two divisions, retail and industrial.

The retail division includes the 47 drug stores and five home health care centers. The industrial division includes the 123 Big B, Key and Superior dry cleaning stores in nine states; B & B Equipment and Supply, a distributor of dry cleaning equipment and supplies, and Convenience Manufacturing Corporation, a manufacturer of drive-in windows.



Begley product sales*

Source: Company reports
*Includes drug stores and home health centers
**For year ended March 31, 1984
Sales in millions

Two of the drug stores contain Radio Shack franchise departments.

During the past year, the retail division opened an additional home health care unit, and in April revealed a coordinated approach to its home health care promotional efforts.

At that time, Begley instituted a convalescent aids marketing program that included planogrammed departments for all stores, centralized buying and a beefed up advertising budget.

In August, the company opened its fourth convenience food department. The refrigerated section is located at the front of the store near the entrance for an easy in and easy out traffic flow.

Management has been happy with the results from these convenience food sections and plans to open four more this year.

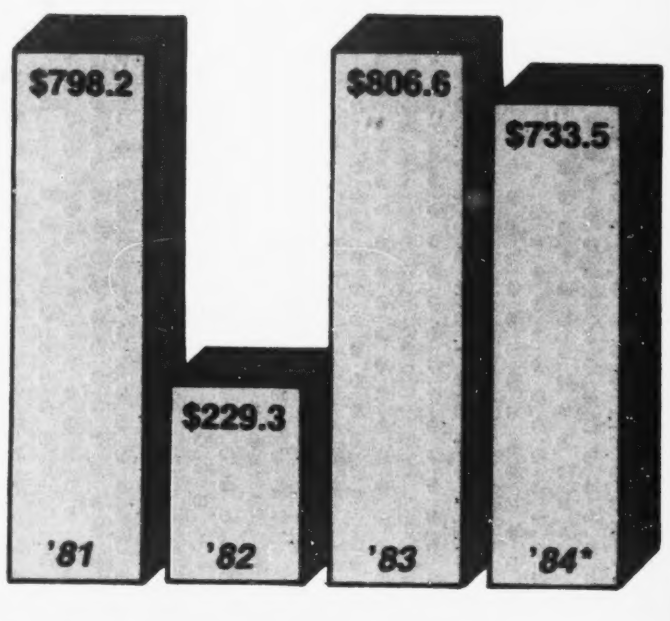
Begley is currently reworking two other high-margin departments in its stores: photo finishing and greeting cards.

The photo departments have already been reworked in 30 stores. The new 8-ft. photo sections have been moved to the front of the stores near the checkouts.

The chain has also been converting its American Greetings departments into an all-up program to reduce inventories and to improve turns. The newly fixtured sections have been moved to the high-traffic areas of each store.

Begley Drug stores operate in an area dominated by major discount store chains including K mart, Wal-Mart, Rose's and Hecks. That discounting competition has hurt Begley's bottom line.

To convince customers that Begley can be just as competitive as any other store, the company has rolled back prices on the fastest-moving, most-visible item in the store.



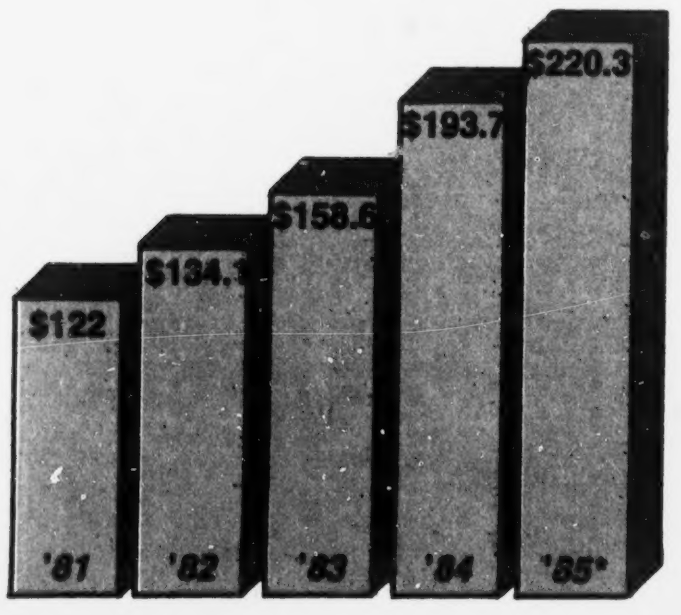
Begley's corporate earnings

Source: Company reports
*For year ended March 31, 1984
Earnings in thousands

Sales top $20M for Genovese 60th

MELVILLE, N.Y. — The 76-store Genovese Drug chain celebrated its 60th anniversary last year with a variety of events and promotions. The chain also topped $20 million in sales for the first time.

Sales for the company's fiscal year grew to $220.3 million from the previous year's $193.7 million, a 13.7% increase. Profits showed a 7.2% increase during the year to $4.1 million, or $1.03 a share, up from $3.9 million and 96¢ a share in fiscal 1983.



Sales top $200 million mark

Source: Company reports
Sales in millions
*Fiscal year ended Feb. 1, 1985

For the fourth quarter, which ended Feb. 1, 1985, sales grew 4% to $56.8 million while earnings decreased about 1.5% from last year's same quarter.

"Overall, we had a strong year in 1984," says Don Gross, vp marketing and distribution. "But sales toward the latter part of the year were not as strong as we had anticipated."

Gross attributes those slow sales to the chain's growing competition, which he describes as "getting tougher and tougher."

He points out that Genovese's major competitors in the areas it serves, New York, Connecticut, New Jersey and Massachusetts, are the big supermarket chains, especially Pathmark.

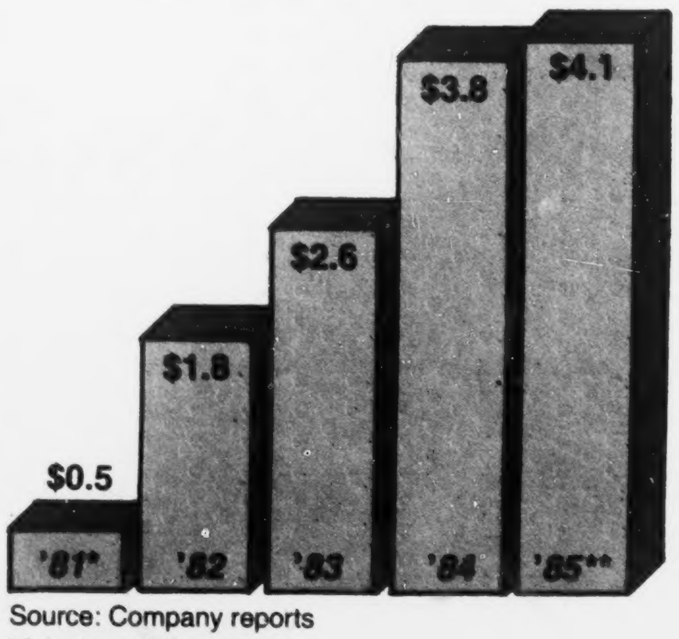
"Strong competition is putting a tough squeeze on every retailer's bottom line," adds Gross. "And it's going to be the same in 1985. This year is going to really test the mettle of the retailer."

During 1984, Genovese opened four new stores, and since Jan. 1, has added two more. Gross says plans for the year include opening eight to 10 more stores in the markets in which the company already has strong penetration, namely, Brooklyn, Queens, Long Island and Staten Island.

In July 1984, the company opened its first full-line auto department in the 3,000-sq.-ft. lower level of a new Queens, N.Y., store it opened. The department, with its own name of Genovese Auto Warehouse, is heavily skewed to the do-it-yourselfer.

Another Genovese Auto Warehouse was opened later in the year in the company's new 24,000-sq.-ft. store in Lindenhurst, N.Y. That new auto department is approximately 3,500 sq. ft.

With the opening of that new Lindenhurst store, Genovese also opened its second major home health care department. That department, or store within a store as company officials like to call it, is also 3,500 sq. ft. In December 1983, the first Genovese Home Health Care Center opened within a store in the same community where Joseph Genovese opened his first drug store in 1924.



Genovese earnings up 7%

Source: Company reports
*Adopted LIFO method
Earnings in millions
**Fiscal year ended Feb. 1, 1985

The health care centers carry full lines of durable medical equipment, orthotic and ostomy products and a wide variety of nondurable items.

Another milestone has also been reached for Genovese. All 76 store pharmacies have been computerized.

The company held two special events during the year to celebrate its 60th anniversary. In January 1984, a major trade show was held with executives, store managers and suppliers being invited to attend. In July, singer Paul Anka was the entertainment at a gala that capped the celebration.

During the company's official six-month celebration, television advertising and in-store promotion were used to help increase the chain's awareness with the consumer and to build a stronger local image.

In merchandising, the company made a concentrated effort to obtain the hot items, such as Trivial Pursuit, and to promote them very strongly. One official stated that the purpose of this strategy was simple. "When it comes Christmas, a shopper will remember we had the hard-to-find goods and she'll come back to us."

Healthnet concept boosts Perry's '84

PONTIAC, Mich. — Vigorous sales, improved profitability and a move into a new field of business highlighted Perry Drug's fiscal 1984.

Total sales for the year reached $372 million, up 30% from 1983, and net earnings hit an all-time high of $7.6 million, a 68% increase over 1983's $4.5 million.

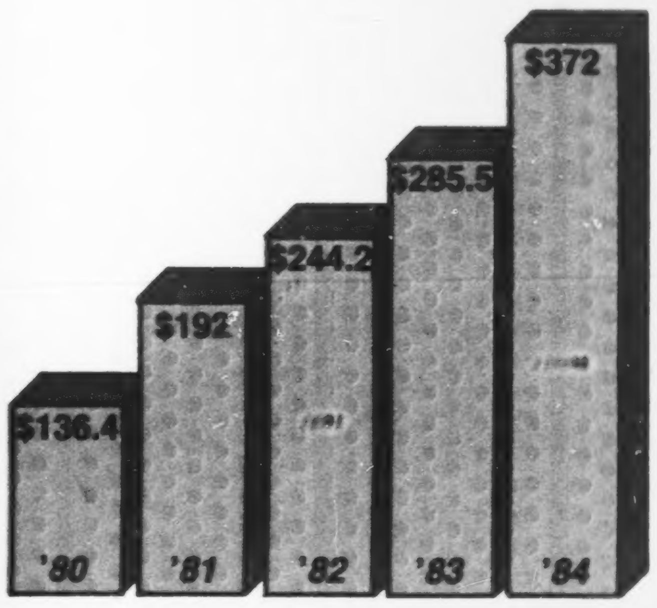
For the fiscal year, which ended Oct. 31, 1984, Perry's earnings per share, assuming full dilution, were $1.26, a 34% increase over the 94¢ for the corresponding 1983 period.

The 1984 growth in earnings outpaced sales increases by a margin of more than 2 to 1, and for the second consecutive year, earnings increased by about 60%. The net after-tax return as a per cent of sales improved from 1.6% to 2.1%, a 31% increase.

The company points to aggressive marketing and strategically planned advertising programs as the principal factors behind 1984's record-breaking results.

During the year, Perry made significant progress in the installation of a pharmacy computer system. Ninety-six terminals were added last year, bringing the total of computerized pharmacies to 88% of all drug stores. The company projects that all pharmacies will be computerized during 1985.

Perry sales hit $372 million



Sales in millions
Source: Company reports

What Perry describes as the focal point of its drug store division, its strong pharmacy, showed sales totaling $68.6 million, an increase of 22% over 1983. Prescription sales accounted for 18% of all the company's revenues. More than six million scripts were filled.

Auto stores booming

Perry's auto parts division, which opened its first freestanding Auto Works store less than 2½ years ago, showed fiscal 1984 sales of almost $81 million, about 22% of all Perry revenues.

The company increased its average sales per square foot in its drug stores to $254, and increased the auto parts stores square foot average to $147.

The cost of goods sold by all three Perry divisions decreased to 68.9%, down from 70.1% in 1983. According to Perry, the decrease is primarily the result of the increased proportion of higher-margin automotive items.

Warehouse, store operations and administrative expenses were 27.2% of sales in 1984, up from 26.2% in 1983. Company officials attribute that slight increase to additional advertising as a per cent of sales.

Since the beginning of fiscal 1984 to date, Perry has opened 32 new Auto Works stores and has acquired 52 additional auto parts stores. It has opened 15 new drug stores, opened another A. L. Price deep discount store and has acquired 44 additional drug stores.

During 1984, Perry reorganized its company into three divisions: drug store, auto parts and home health care.

Perry entered the home health care business in mid-June 1984, when it acquired a suburban Detroit clinical laboratory, Bioanalytical Procedures.

Since then, Bioanalytical has opened two blood drawing centers in Perry drug stores and has opened an additional laboratory.

Perry also acquired Flint Medical and Surgical Supply Company as part of its Cook Drug company acquisition and has opened a Perry ComfortCare store and several in-store departments, offering a full line of home health care durable and nondurable goods.

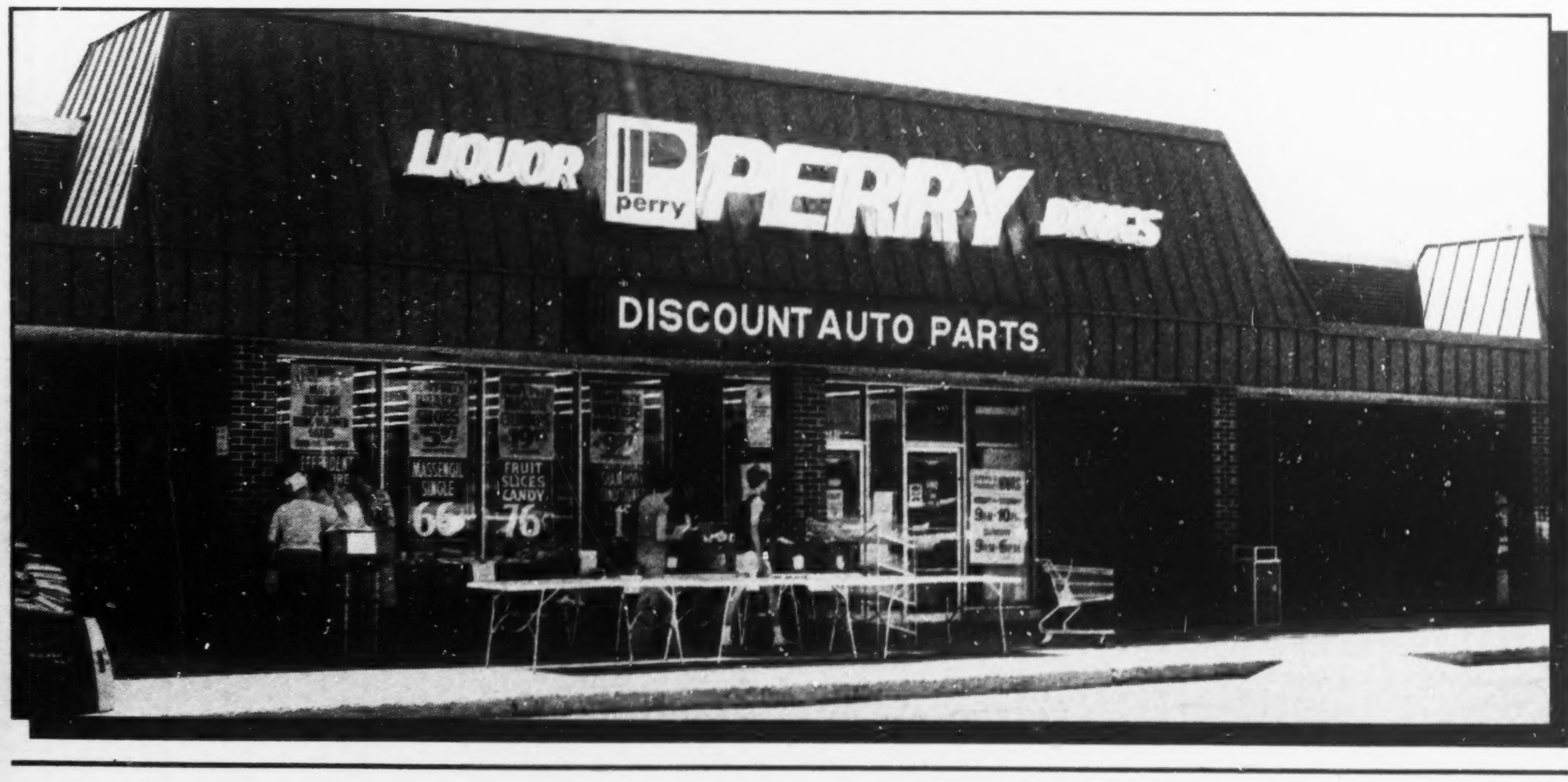
Another health care business announced during fiscal 1984 was an institutional pharmacy named Comprehensive Pharmacy Services.

Convenient Family Dentistry centers are located inside four of Perry's metropolitan Detroit drug stores.

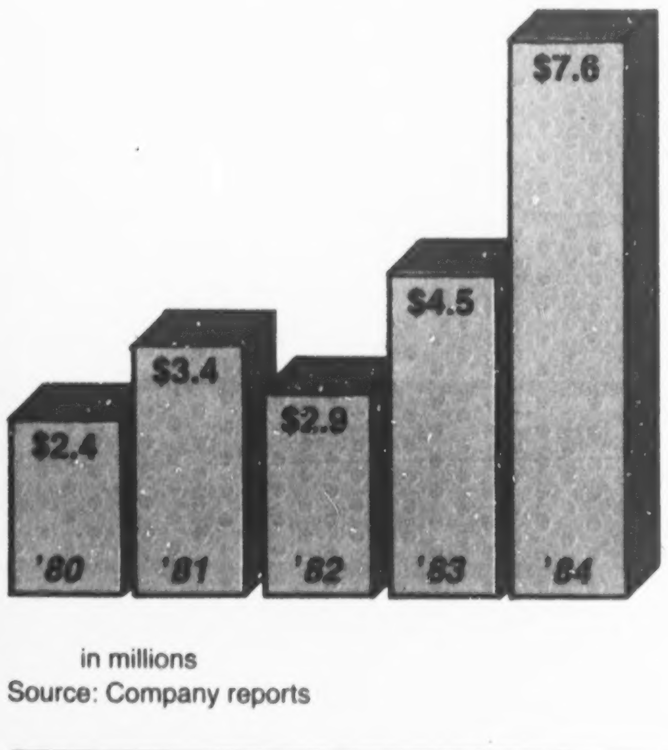
All Perry health care services have been organized under "Healthnet," a single source concept of providing the services to its customers.

Perry management is projecting an even more active and profitable 1985 for the company. At the March annual meeting, Perry Drug chairman and ceo Jack Robinson projected that this year's sales will reach $495 million.

During the first quarter of fiscal 1985, Perry continued to set records in sales and earnings. First-quarter sales reached $121 million, an increase of 26% over last year's first quarter. Earnings hit $3.5 million, 8% more than the same quarter last year.



Earnings increase 68% at Perry



in millions
Source: Company reports

1985 Annual Report of the Chain Drug Industry

Fay's fares well despite competition

LIVERPOOL, N.Y. — Despite a decline in fourth-quarter net earnings, Fay's Drug Co. achieved record financial results for the year ended Jan. 31.

Sales for the year increased 17% to $367 million from $312 million in the previous fiscal year, while earnings rose 7% to $8.7 million, or 62¢ a share, from $8.1 million, or 60¢ a share.

In the fourth quarter, however, earnings dipped to $3.3 million, or 24¢ a share, from $3.8 million, or 27¢ a share, in the same year-earlier period. Sales, meanwhile, increased 19% to $109 million from $92 million.

Chairman Henry A. Panasci, while calling the year's performance "rewarding," noted that sales did not meet earlier expectations.

"The last six months of the fiscal year," Panasci said, "saw a very competitive retailing environment, which resulted in a slowdown in sales of general merchandise and increased promotion and advertising expenditures necessary to achieve the revenue results that were obtained.

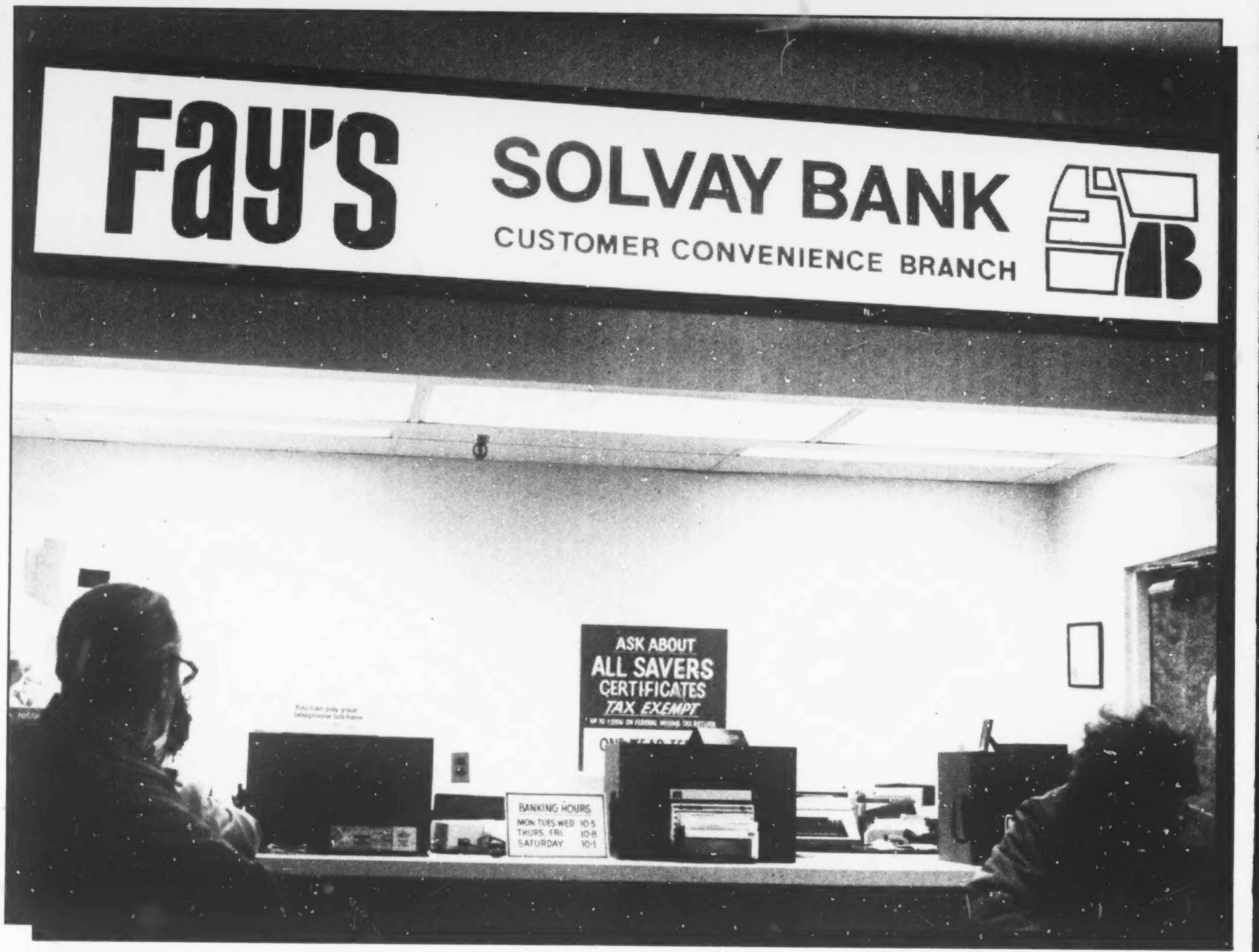
"Additional promotions resulted in lower gross margins as a result of markdowns required to maintain a balanced inventory position."

Panasci said the competitive environment remained heated during the early part of the new fiscal year, and he anticipated "constrained results" through July.

Although overall gains in the second half were muted, Panasci noted that the company's "most important core category," prescriptions, increased in sales by 29% for the year, "far surpassing national averages." In contrast, chain drug prescription sales increased 13% in 1984.

Panasci also noted that Fay's achieved its store opening goal with 17 new super discount drug units, three bantam drug stores and three specialty stores, including the first discount auto parts store and the first office supply store.

Panasci also pointed out that opening expenses for the new specialty stores had contributed to the "disappointing" fourth quarter earnings.



Fay's has targeted a growth goal of 20 drug stores and 10 specialty retail stores for the current fiscal year.

Like other chain drug companies, Fay's in 1984 launched a diversification program into other forms of specialty retailing.

The move began in the fall with the acquisition of Jay Jay's, a 30,000-sq.-ft.-deep discount store without pharmacy in Syracuse, N.Y. A month later, the company unveiled two new specialty retailing units in the same shopping center in Albany, N.Y.—Wheels, a 15,000-sq.-ft. auto parts store, and The Paper Cutter, also 15,000 sq. ft. and specializing in paper products, including books, stationery, greeting cards, party goods and office supplies. Both ventures, according to Panasci, were examples of the chain's strategy of breaking into other retailing areas that "offer the opportunity to easily transfer our skills and expertise to other profit centers."

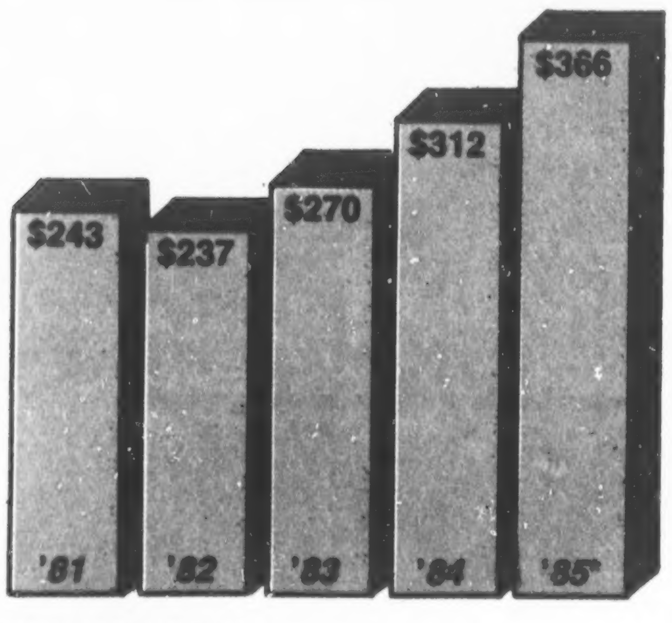
In addition, the new retailing ventures allow the chain to take advantage of shopping center sites barred to a Fay's drug store because they already have drug stores.

In February, with the start of its new fiscal year, Fay's lashed back at the growing competition in one of the toughest retail environments in the country—Rochester, N.Y. There, Fay's tangles not only with conventional retail drug competitors but also with supermarkets, mass merchandisers and deep discount stores.

In the face of this competition, Fay's launched a price war, rolling back prices on 8,100 products—every sku in stock.

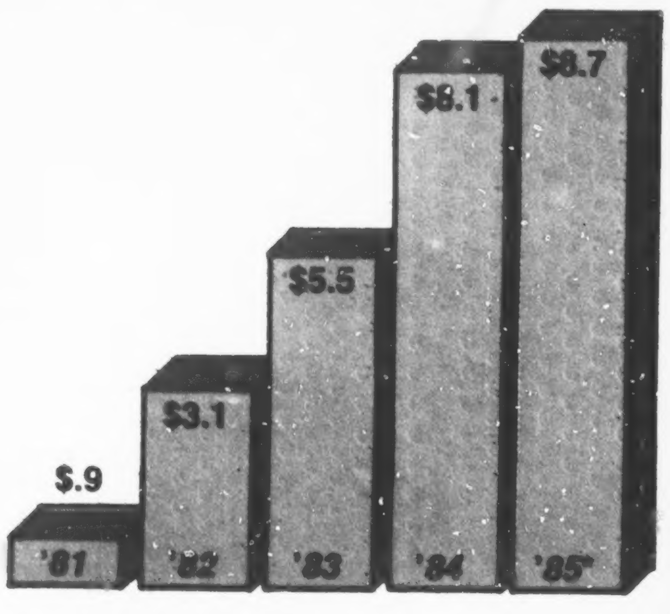
Dan Herrmann, president of the chain, was confident that the strategy would work. "We're going as deep on prices as the best-run deep-discount stores," he said. "Our margins will be lower, but the increased volume should maintain and maybe even increase profits."

Revenues up 17% at Fay's



*Year ended Jan. 31
Sales in millions
Source: Company reports

Fay's earnings rise 7%



*Year ended Jan. 31
Net earnings in millions
Source: Company reports

Expansion nets record year for Longs

WALNUT CREEK, Calif. — Longs Drug Stores ended fiscal 1985 with record sales and earnings, as well as a sharply increased store count. The indications are for more of the same this year.

For the 53-week year ended Jan. 26, earnings were up 10% to $40.1 million, or $3.77 a share, from $36.4 million, or $3.43 a share, in the previous 52-week year. Sales for the year increased 13.3% to $1.38 billion from $1.21 billion.

During the year, Longs opened 13 new stores, sharply higher than the seven opening during the previous year. The company plans an even more aggressive expansion schedule this year, with 16 stores slated to open their doors.

Part of that expansion includes a new market—Colorado—which the chain has targeted as a natural growth area because of its rapidly growing economy, its large and diverse labor pool and heavy home building activity.

"Some of the fastest growing cities are in Colorado, and it appears that growth can be sustained," said Robert M. Long, president and ceo of the 191-store chain.

"When we add all of these plusses up and add the fact that we know we can compete in the Colorado market, we are anxious to begin serving customers in the Rocky Mountain State," Long said.

Long's Colorado venture is being focused on cities surrounding Denver, including Colorado Springs and Fort Collins, but not on the Mile-High City itself. Analysts say the strategy is to avoid Denver, where Eckerd and Pay Less both foundered, until Longs can establish a strong beachhead.

The company's strongest expansion, however, is taking place in its home state of California, and the reason is the state's tremendous population growth. From 1970 to 1980, for example, California's share of the U.S. population grew by 16%.

With an aggressive expansion schedule on the drawing boards, Longs last year made several key management changes designed to increase the overall effectiveness of merchandising, distribution and sales development and, at the same time, to identify potential new opportunities for branching out.

Steve Roath, who had been vp of professional affairs, was named senior vp of marketing, and Ron Plomgren, vp of properties, became senior vp of development.

The moves were seen as an effort to introduce more coordination into Longs' decentralized approach to retailing.

Photo processing is one area in which a coordinated approach was used to ensure more consistency throughout the chain. During the year, the company launched "Longs Photoworld." Executive vp Richard A. Scott said that with the new chainwide photo processing system, "customers can expect greater consistency in the products and services which are offered in every Longs store."

The chain has also taken a more coordinated approach to what it calls its "redistribution" system. While Longs remains wedded to decentralized buying and direct delivery, it has begun to increase the amount of promotional and key staple goods purchased centrally for redistribution to the stores at sizable savings.

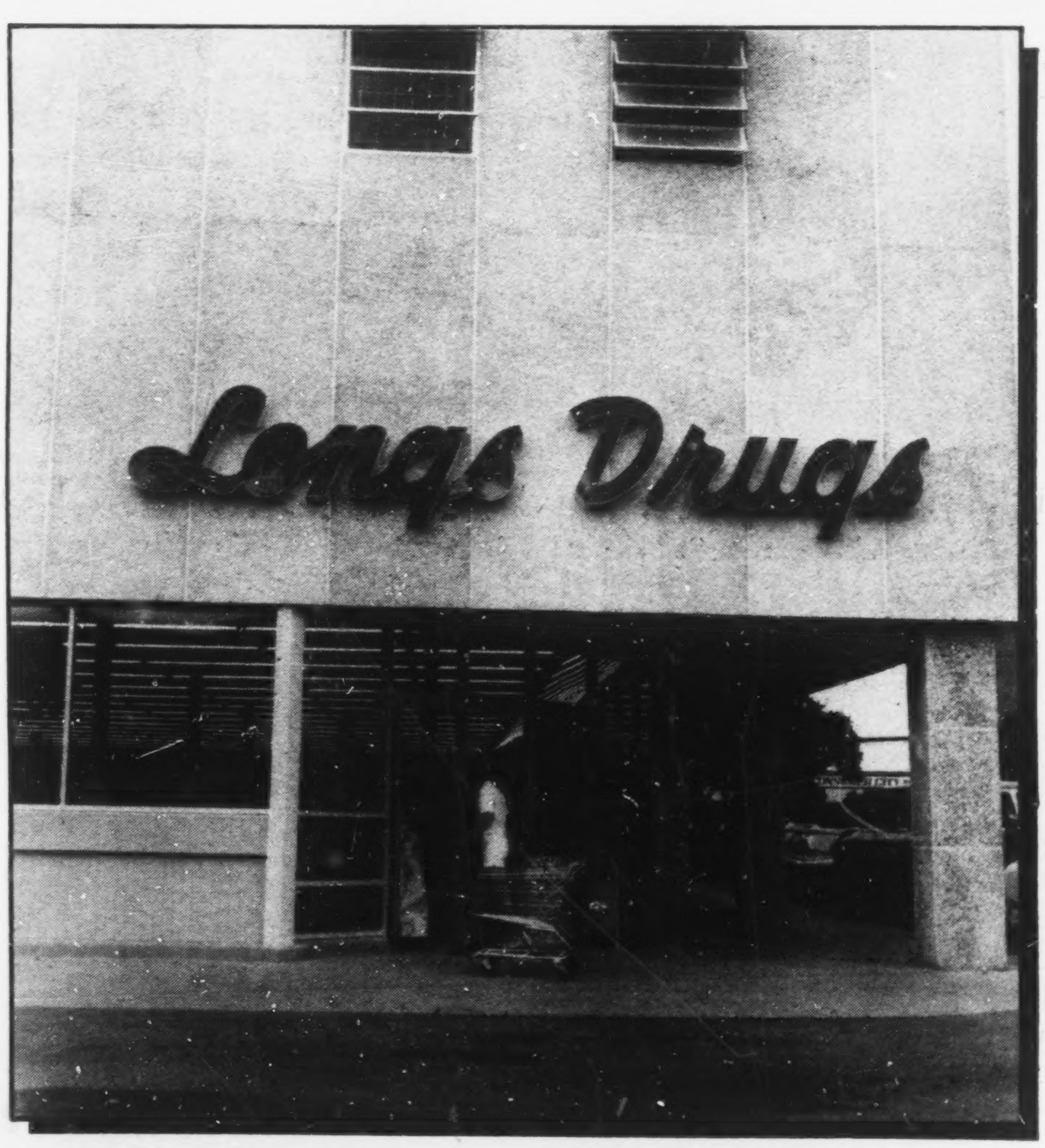
Scott said that chainwide redistribution purchases could increase to as much as 18%-20% of total purchases from 10%-11%. But Scott was quick to add that the size of the buys under the redistribution program would continue to be dictated by individual stores. "We're talking about another source of supply for our managers," he said.

Recently Longs entered ~~the~~ hot new video rental market with the installation of rental departments in more than 140 of its drug stores. Longs is operating the departments with Entertainment Rentals Inc.

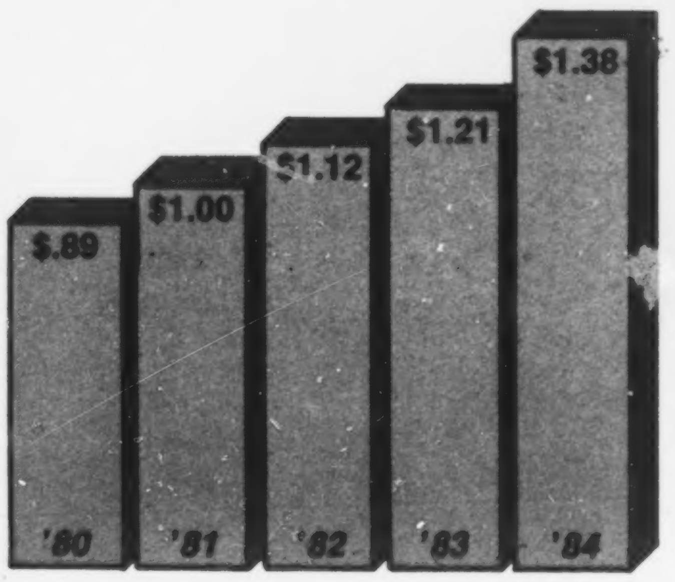
Longs, which has no inventory investment in the films because it works on a percentage of the rental fees, is expected to realize as much as $1,500 to $2,000 in gross profits from the new departments.

All the negotiations for installing the new video centers were worked out with individual store managers.

Longs Drugs

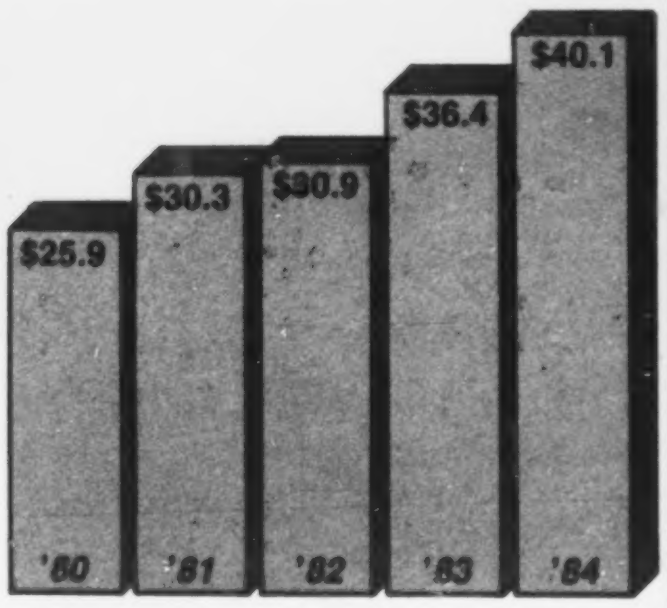


Sales up 13% at Longs



Sales in billions
Source: Company reports

Longs earnings increase 10%



Earnings in millions
Source: Company reports

Owner Trump may trim Pay 'n Save

SEATTLE — What a difference a year makes!

In fiscal 1984 (ended Jan. 28, 1984), Pay 'n Save had dramatically rebounded from two years of severe recession in the Pacific Northwest to boost net earnings 54% on a sales increase of 12%.

Pay 'n Save's fortunes appeared to be on a rising continuum with two subsequent acquisitions: Schuck's, the Northwest's leading auto supply chain, with a profit-to-sales ratio double that of Pay 'n Save, and Northwestern Drug, which added $130 million in volume and a state-of-the-art distribution center.

Then the clouds began to gather. The harbinger was the profit plunge of 64% in the first fiscal quarter of 1985.

The main source of the trouble was Ernst Home Centers. In an attempt to turn Ernst around, the stores were remerchandised, with sporting goods being phased out and new emphasis placed on DIY categories such as lumber, hardware, electrical, paint, doors, windows and plumbing. However, the elimination of sporting goods necessitated markdowns, and to recoup them, Ernst went to aggressive pricing on other lines, thereby reducing margins.

In addition, Ernst faced a firestorm of competition from Pay 'n Pak, operators of more than 100 home centers in six western states. Early in 1983, Pay 'n Pak dropped sporting goods and auto supplies and beefed up paint and hardware, thereby tightening the crunch.

Not long after Pay 'n Save's second quarter profits were announced (another decrease of 64%), came the offer from The Trump Group, a New York investment firm, for a leveraged buyout. After a skirmish with Samuel Stroum and Stuart Sloan (former owners of Schuck's who were Pay 'n Save's largest shareholders), Trump bought Pay 'n Save.

Inasmuch as Pay 'n Save is now a private corporation, sales and profits for the last two quarters of fiscal 1985 have not been revealed. However, best estimates are that profits were down 75% to 80% in the second half, and that sales increased 8% to 10%. This contrasts with increased sales of 18% and 14% for the first two quarters.

Julius Trump, one of the principals of The Trump Group, has restructured the responsibilities of Pay 'n Save's executives so that Trump has more direct control of the operation.

Meanwhile, problems remain. With high start-up costs and $30 million in volume needed to break even, Price Savers Membership Warehouse is in the red.

Northwestern Drug's basic problems were engendered by the circumstances of its acquisition by Pay 'n Save. That is, when a retail drug chain acquires a wholesaler, many pharmaceutical manufacturers won't ship to the wholesaler—or will ship only at retail prices.

Northwestern and its Velocity Hospital Group subsidiary received some relief when, after suing five manufacturers and NWDA, the suit was settled prior to trial. However, there are "strings" attached to the settlement with Eli Lilly and SmithKline Beckman, two major suppliers.

Lilly has agreed to supply Northwestern with a half-dozen chargeback hospital products until June 30, 1985, but none of the 300 other pharmaceuticals manufactured by Lilly. SmithKline has agreed to supply Northwestern only with hospital drugs but with no time limit.

By its own admission, Northwestern has lost 50 accounts since Pay 'n Save bought the wholesaler.

Even so, there is a bright side to Northwestern: It is now servicing Pay 'n Save and Bi-Mart drug stores as well as Ernst Home Centers, and this has resulted in cost and delivery savings.

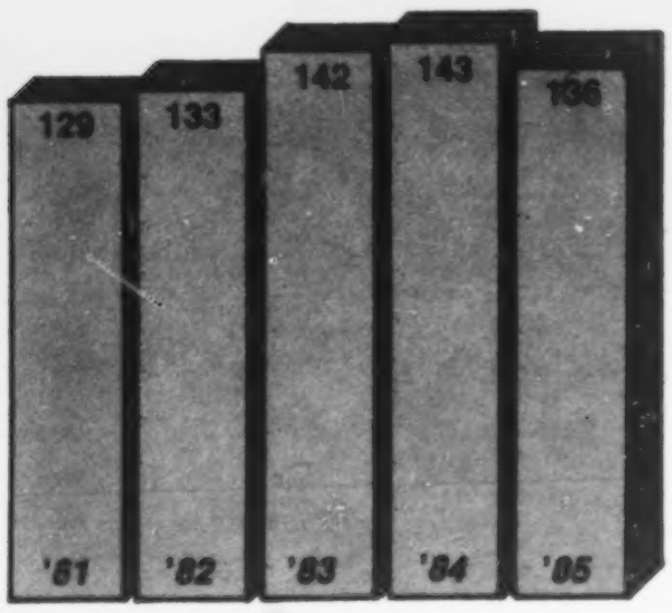
Still, Pay 'n Save faces some formidable obstacles. The principal one is the indebtedness incurred by the buyout. Total borrowing was $470 million ($370 million to take the company private and $100 million for working capital). That translates to annual payments of $50 million just to cover the cost of interest.

As a result of the debt burden, The Trump Group, through its Acquicorp subsidiary, might sell off Pay 'n Save's divisions piecemeal. The Trump Group opened the door to this possibility in its tender offer by stating "Acquicorp is considering selling one or more of the company's businesses and applying the proceeds to pay indebtedness."

Ernie Domas, security analyst for Piper, Jaffray and Hopwood, says that "the parts are worth much more than the whole," and that "Trump has a good history of real estate management because that's their specialty."

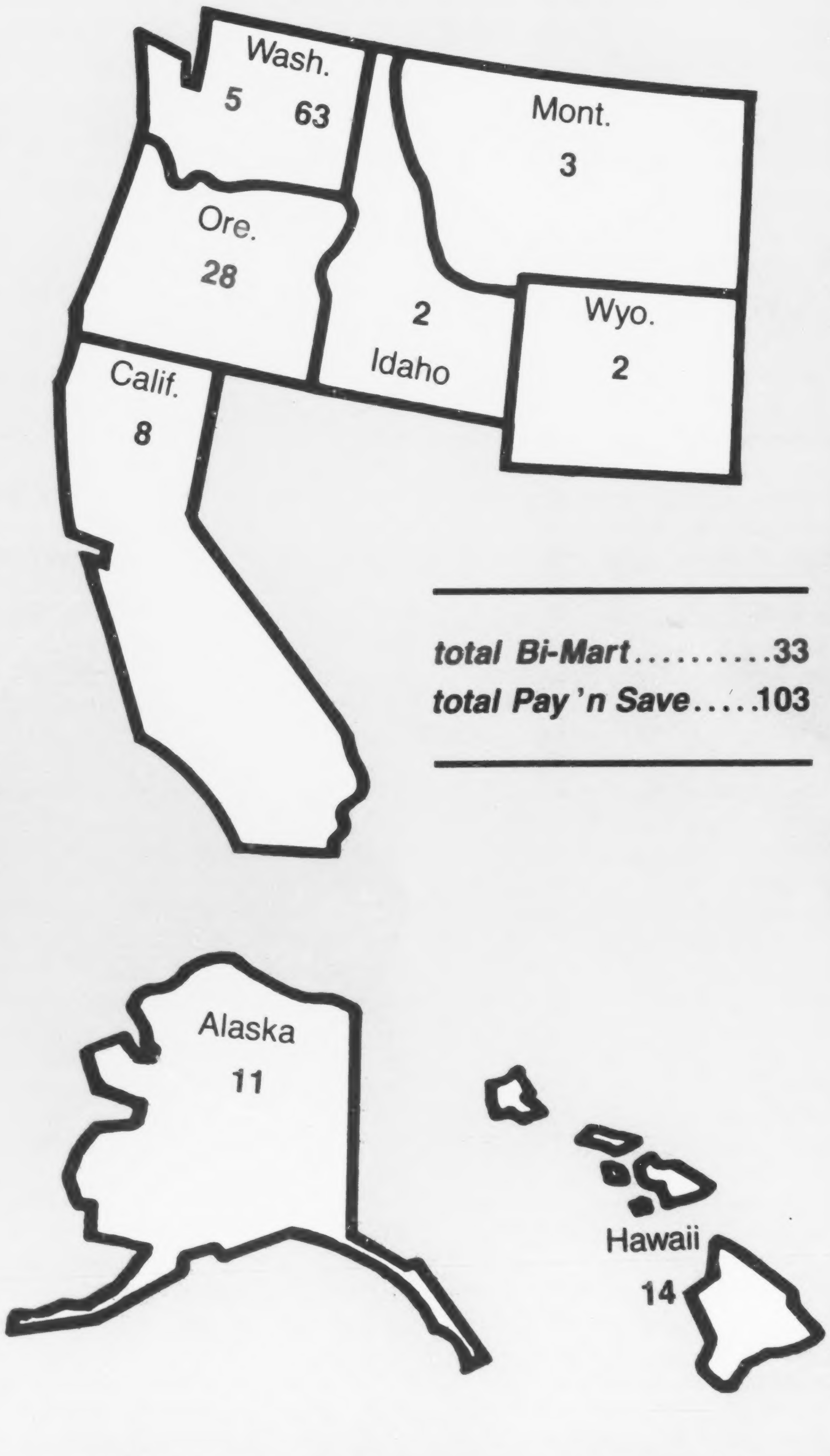
Domas adds that "there is a possibility they would hold back on selling some of their divisions—particularly Pay 'n Save and Ernst—for two years. During that time they would turn them into lean and trim operations."

Pay 'n Save store count dips



Includes Pay 'n Save and Bi-Mart
Source: Company reports

Pay 'n Save and Bi-Mart store locations



total Bi-Mart..........33
total Pay 'n Save.....103

1985 Annual Report of the Chain Drug Industry

Store expansion pays off at Big B

BIRMINGHAM, Ala. — An ambitious store expansion program last year paid early dividends for big B as sales and earnings at the chain advanced to record levels.

Net income for the year ended Feb. 2 rose 27.9% to $4.4 million from $3.5 million the previous year. On a per share basis, net income advanced to 68¢ from 53¢ last year.

The addition of 14 drug stores, one combo and a home health care center powered the chain to a 27% increase in sales to $148 million, compared with $116.9 million the previous year.

BIG
B
HOUR
CLEANERS

Moreover, existing stores also continued to show strong signs of growth. Same-store sales were up more than 11% from the previous year.

During the current fiscal year, Big B is planning another ambitious store expansion program. The chain plans to open 20 new drug stores.

Two of those stores will be located in Tennessee, a new market for the 107-unit drug chain. Having expanded to the south, west and east, Big B's move northward into Tennessee is a natural extension for the chain.

Big B is also setting its sights on western Georgia and the Florida Panhandle. In fact, half of the planned store openings this year will be in those markets.

New d.c. facility

In addition to new stores, Big B is also committing substantial capital outlays to the construction of a new 240,000-sq.-ft. distribution center and office in Bessemer, Ala.

The new facility, scheduled for completion later this year, will replace the chain's 100,000-sq.-ft. Birmingham center.

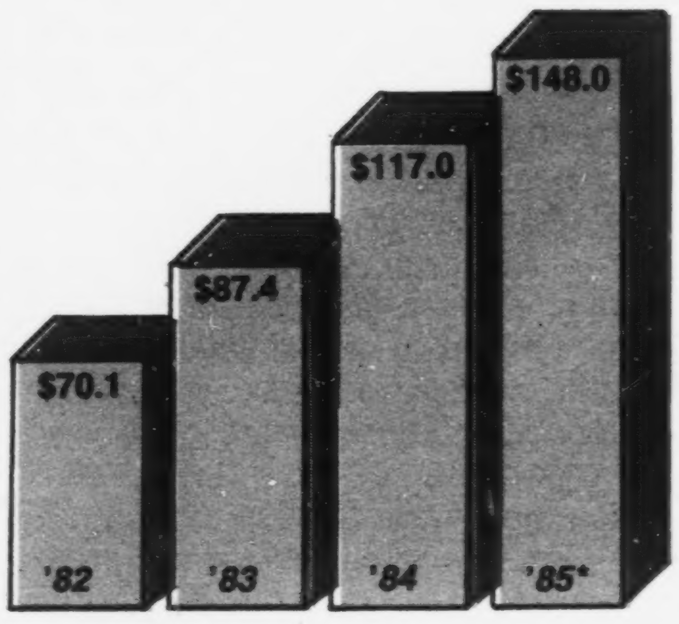
Big B has also moved aggressively in adding computers to its stores. In February 1984, the chain began rolling out a new pharmacy computer system that is capable of "communicating" with electronic POS front-end registers.

Once the on-line pharmacy computer system is fully operational chainwide, Big B will begin tying the pharmacy system to front-end registers.

Pharmacy continues to play a major role in Big B's success. This year, the chain was again able to generate double digit increases on a like-store basis.

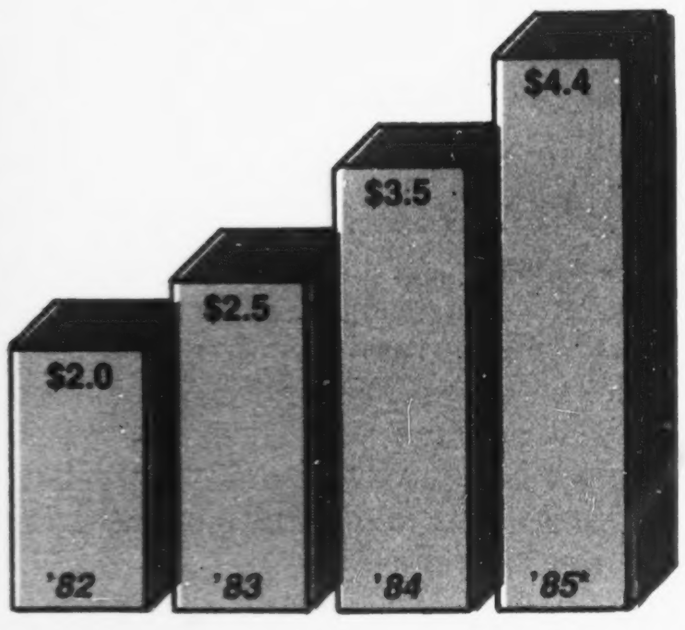
Big B's efforts to diversify appear to be on the back burner, however. Three years ago, the chain opened its first food-drug combos, called B-Mart. But the midsized combo stores have yet to turn a profit. There are currently five, with no plans for additional combos this year.

Big B sales increase 27%



Sales in millions
*Year ended Feb. 2
Source: Company reports

Earnings rise 28% at Big B



Earnings in millions
*Year ended Feb. 2
Source: Company reports

Dart focuses growth on deep discount

LANDOVER, Md. — Since last year's $160 million leveraged buyout of Dart's 78-unit drug store division, the new owners have moved aggressively to bolster the company's lagging operations in the highly competitive Washington and Richmond, Va., metro markets.

Under the leadership of Al Towle, chairman and principal stockholder of the privately held Dart Drug Stores Inc., and Stephen J. Hansbrough, president and coo, the company has opened five new stores in 1984 and plans to add an additional five in 1985.

Currently, the Dart chain has 17 drug/home center combination stores, all averaging between 30,000 and 40,000 sq. ft., five Total Plus deep-discount stores in Richmond, Va., and 56 conventional Dart drug stores averaging between 10,000 and 20,000 sq. ft.

Dart's conventional and combination drug stores will remain the chain's growth vehicle in Maryland and Washington, D.C., but the company expects to focus its growth on its mini-chain of deep-discount stores in Richmond and in all future markets.

Recently, Dart remodeled all five of its Total Plus deep-discount stores, restocked them with more than 13,000 sku's and repriced them at 30% to 50% below the local competition. And to build visibility for the mini-chain of deep-discount stores, a brand new television, radio and print campaign was launched. All of this activity centers around Towle's goal of doubling Total Plus's average $3 million to $4 million sales per stores "within the year."

In an earlier interview with *Drug Store News*, Towle noted that the chain's previous owners were only "half-heartedly" into the new ventures like deep-discount stores. Before the buyout, the former management had put most of its efforts into the rapid expansion of its Crown Book and Trak Auto companies. The drug store division had languished and operational problems like frequent out-of-stocks and poor housekeeping were increasingly becoming endemic to almost all the drug stores.

To solve those problems, Al Towle was hired last March as president of Dart's drug store division. Towle had previously served in upper management positions in two of the three leading drug chains in Washington, D.C. Before joining Dart, Towle was president of Gray Drug Fair and earlier in his career he was senior vp of marketing for Peoples.

About three months after Towle joined Dart, he and Hansbrough, who was then senior vp of distribution and data processing, led the management group's leveraged buyout of Dart's retail drug division.

Both men immediately sought to revise the chain's entire merchandise mix, particularly the core departments, which had suffered the most under previous management. Along with revamping the merchandise mix, the new management team worked to reduce frequent out-of-stocks, cleaned up the stores and put in more clerks at checkout stands.

By most accounts, these efforts paid off. Currently, Dart's conventional drug stores do about $3 million a store, while its combos ring up about $5 million. According to Towle, the remodeled Total Plus deep-discount stores now generate between $4 million and $5 million.

In other developments, Dart is scaling down the size of its Washington, D.C., stores. In that market a smaller prototype, from 15,000 to 20,000 sq. ft., will become the norm, rather than the 40,000- to 50,000-sq.-ft. drug/home center giants that once characterized the chain.

DART
Bath Oil

Pay Less NW: Kmart's 'dream' buy

WILSONVILLE, Ore. — If, in a flight of fancy, K mart execs ever imagined a "dream" drug chain to acquire, the vision would have fit Pay Less NW.

On Feb. 2, 1985, the dream became a reality when K mart bought Pay Less for $500 million in cash, the largest sum ever paid for a pure chain drug company.

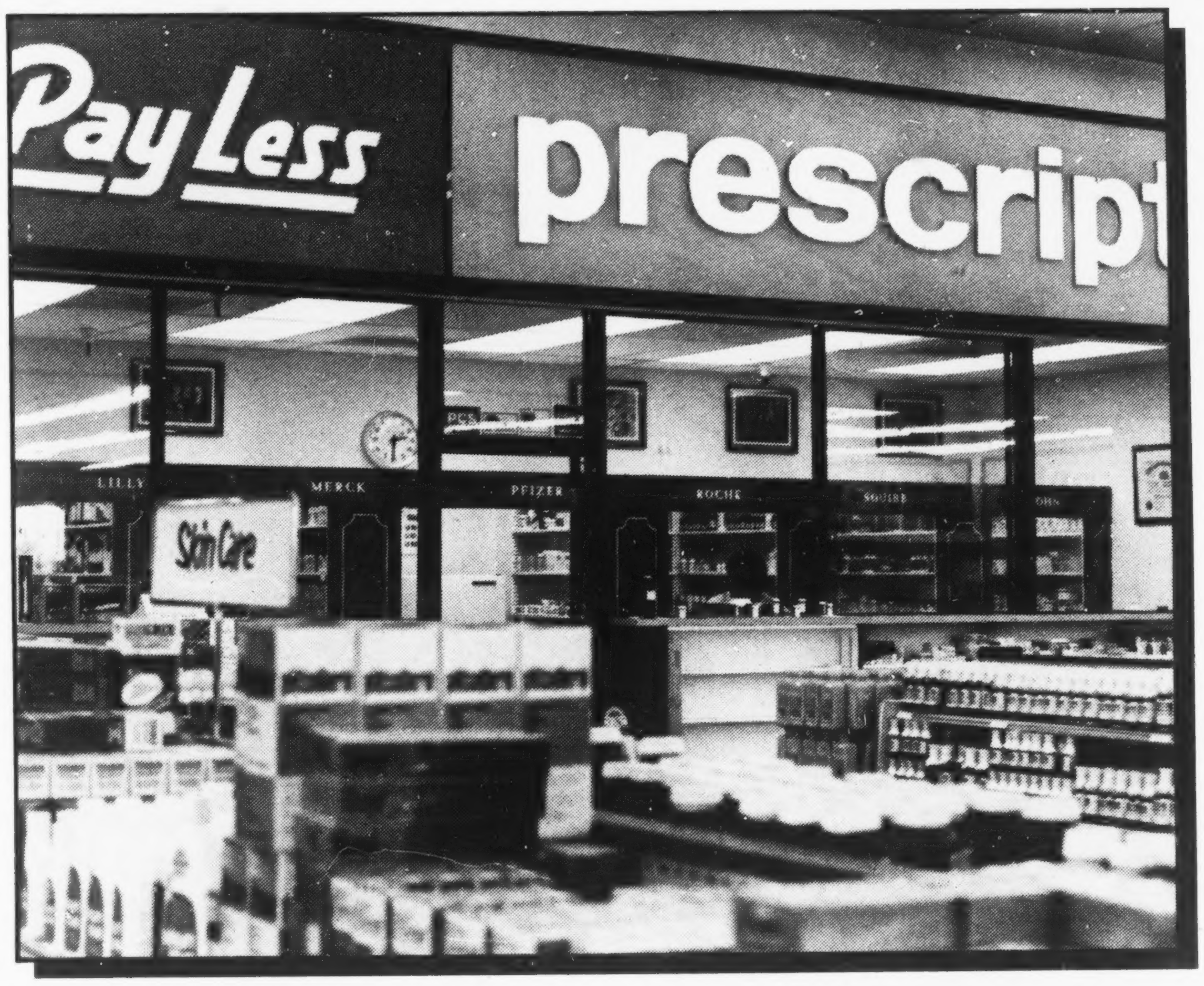
Pay Less more than justified the deal with its virtuoso performance during the last two years. In the fiscal year ended Jan. 31, 1985, Pay Less hiked profits 26% (from $24.7 million to $31 million), on a sales increase of 7.8% (from $852.9 million to $919 million). That came on the heels of an equally impressive fiscal 1984 when earnings jumped 28% on a sales rise of 9%.

With the infusion of fresh capital from K mart, Pay Less is expected to break out of its five-state territory (Oregon, Washington, California, Idaho, Nevada) and eventually become a national chain. The timetable is to first gain strong market position in all states west of the Rockies, concentrating on those states which are contiguous to its present operations. Most likely are Arizona, Montana, Wyoming and New Mexico.

Currently, Pay Less has three retail entities: the 30,000-sq.-ft. superdrug store, its cornerstone with 159 stores. Then there are three Value Giant deep discount stores which are conversions of Pay Less superdrug stores. Finally, there is Key Drug, the scaled-down version of the Pay Less superdrug store, which is geared for towns with 5,000 to 10,000 population.

Key to expansion

Key Drug is literally the key to rapid expansion. Even before the K mart acquisition, Pay Less had planned to open 100 Key stores over the next three or four years. And since K mart has indicated it is interested in more numbers, Key is in the catbird seat.



The size of Key varies according to available space. The first store was 17,000 sq. ft.; the second, 8,500 sq. ft. The chain prefers 10,000 to 12,000 sq. ft. In getting locations for Key, Pay Less will buy stores now operating, as well as vacated stores—or build from the ground up.

The mix at Key varies according to size and locale. Basically, it's a miniaturized Pay Less superdrug with the following parameters: $35,000 a week volume; 30% gross margin (three to four points higher than Pay Less); fewer loss-leaders on consumables such as food, paper, soaps, detergents and beverages and sharply reduced advertising. Another departure is that the store manager is a pharmacist.

Pay Less continues to advance on the computer front. At present, there are 75 stores on line with credit cards. The software is designed so that a clerk can punch in a credit card number and in seven seconds gets an instant validation. The software will also produce a printed voucher for the customer to sign to complete the transaction.

In addition, three Oregon stores are on debit cards with First Interstate Bank. By mid-May 1985, there will be 15 stores on the debit-card system.

The chain has also been on the cutting edge of pharmacy terminals, having gone chainwide six years ago.

The same kind of technological know-how is evident in a Pay Less distribution center in Wilsonville, Ore. (708,000 sq. ft., including mezzanine) which has become a significant profit center.

With the refinement of systems based on single-source efficiency and control, Pay Less has added more product lines, stretching Wilsonville to capacity. As a result, Pay Less leased 400,000 sq. ft. of warehouse space in the Portland area several years ago.

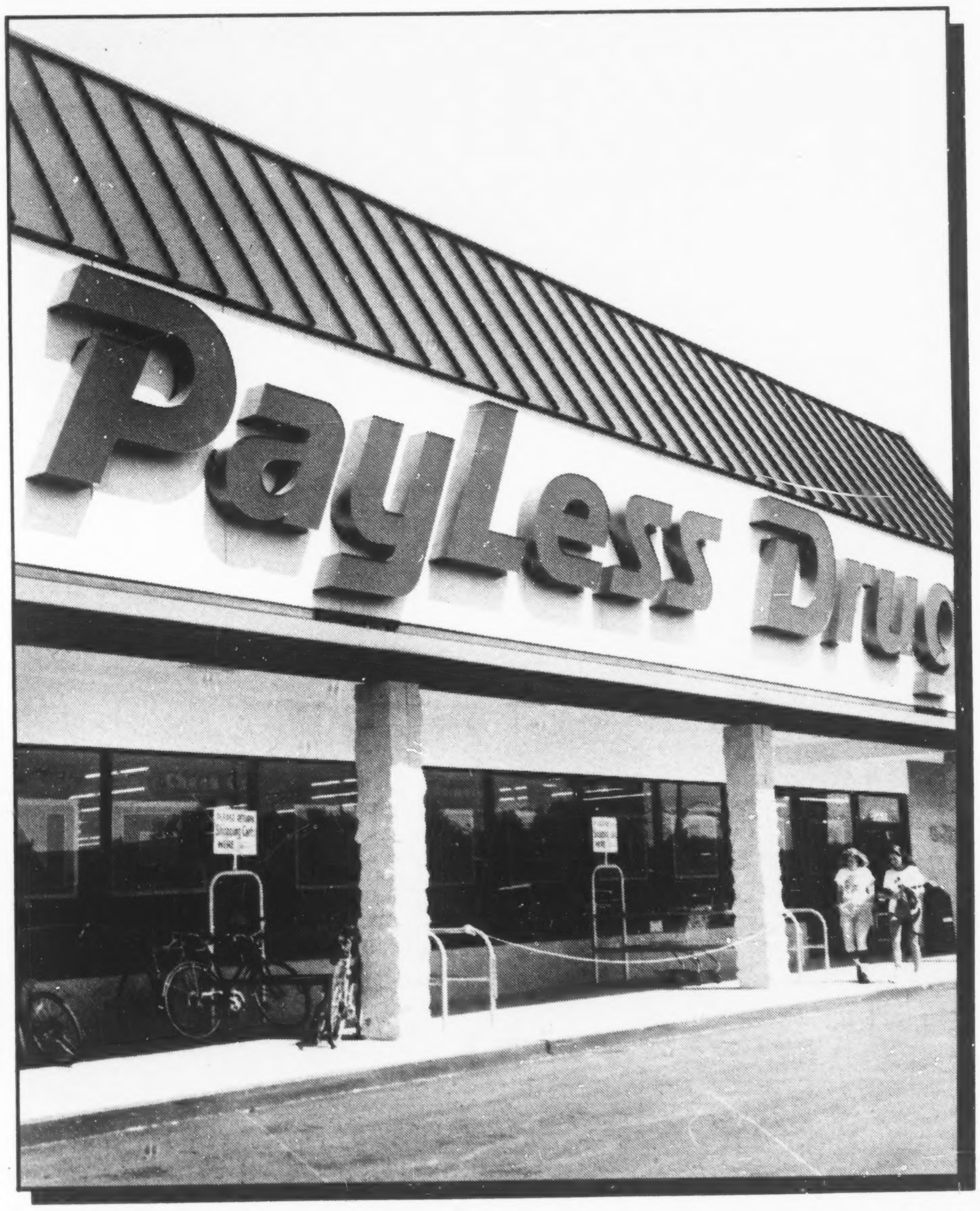
Distribution plan

With adequate land available at Wilsonville, the present distribution center was slated for expansion in 1984. However, further review of operating and transportation costs, coupled with heavy future expansion in northern California, led management to plan a distribution center in Stockton. The facility was blue-printed at 640,000 sq. ft., plus 200,000 sq. ft. of interior racks on four levels (50,000 sq. ft. per level).

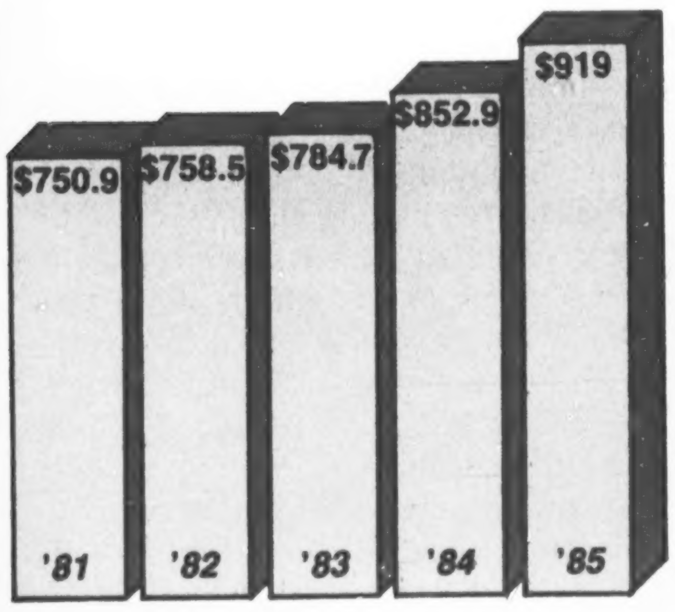
However, costs for the proposed Stockton d.c. ballooned from $21 million to $35 million, so Pay Less downscaled to 500,000 sq. ft. and decided to build in Woodland (near Sacramento). However, that building will not be completed until 1986. In the interim, Pay Less has leased a 347,000-sq.-ft. distribution center in Sacramento.

At present, Pay Less operates 72 stores in northern California. The new Woodland d.c. will be able to service twice as many stores, thereby confirming northern California as a region targeted for growth.

With expansion-minded K mart now in command, drugmen are now wondering how long before the new Woodland facility will reach capacity.

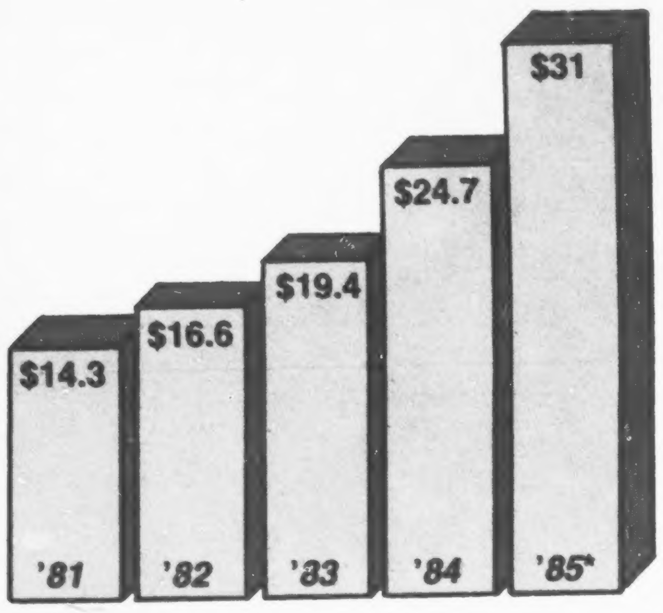


Pay Less sales increase 8%



*Year ended Jan. 31
(in millions)
Source: Company reports

Pay Less earnings up 26%



(in millions)
*Year ended Jan. 31
Source: Company reports

Rite Aid expands with book chain buy

SHIREMANSTOWN, Pa. — Rite Aid Corp. last year added another egg to its basket of specialty retail outlets, and at the same time forged new markets with its drug store division.

Rite Aid chairman Alex Grass's latest effort into specialty retailing is Encore Discount Books, an 18-store chain based in Philadelphia. Since acquiring Encore, Rite Aid added three new outlets and plans to open as many as 14 in fiscal 1986. The chain contributed approximately $14 million in sales since becoming part of Rite Aid.

In addition to Encore, Rite Aid's diversified holdings include ADAP (auto parts chain), Circus World (toy stores), Heaven (variety stores), and Sera-Tec (a plasmapheresis business). The drug retailer owns a 28% share in Superdrug Stores P.L.C., a British drug chain. Rite Aid also owns 46.8% of Super Rite Foods, a U.S. grocery wholesaler and retailer.

For the year, ended March 2, Rite Aid posted net earnings of $69.9 million, down 6% from $74.3 million the previous year. However, fiscal 1984 included a $12 million earnings gain from the partial sale of Super Rite through a public offering at the close of calendar 1983.

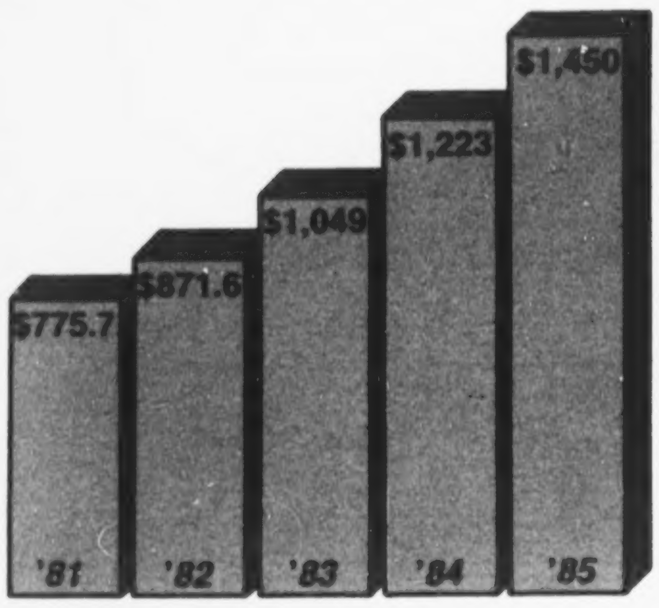
Sales for fiscal 1985 were up 18% to $1.45 billion from $1.2 billion the previous year.

Super Rite Foods enjoyed a strong year in its first year as an independent company. The company posted a 30.7% gain in net earnings to $5.2 million from $3.9 million on sales of $375.6 million, up 31% from $286.8 million the previous year.

During the year, Super Rite expanded into grocery retailing by acquiring the 48-store Food-A-Rama chain in Baltimore, leaving the door open for Rite Aid to test the food/drug combo format.

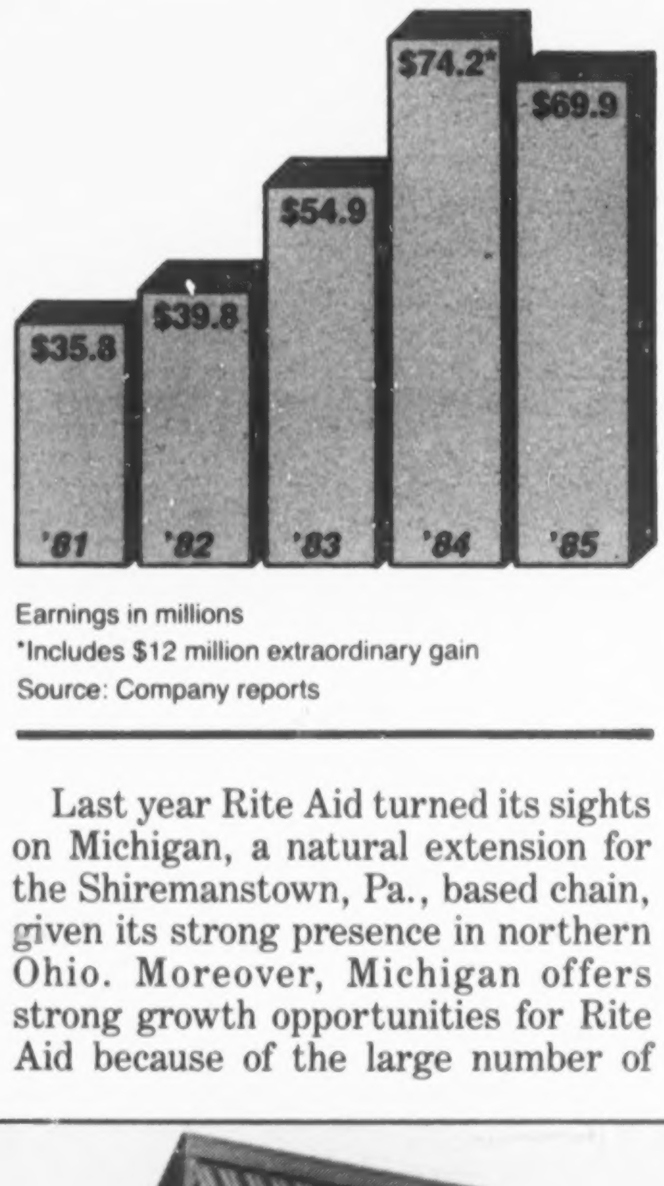
While specialty retailing will play a bigger role in the profit picture at Rite Aid over the next few years, growth in the drug store division has hardly missed a beat.

Rite Aid five year sales



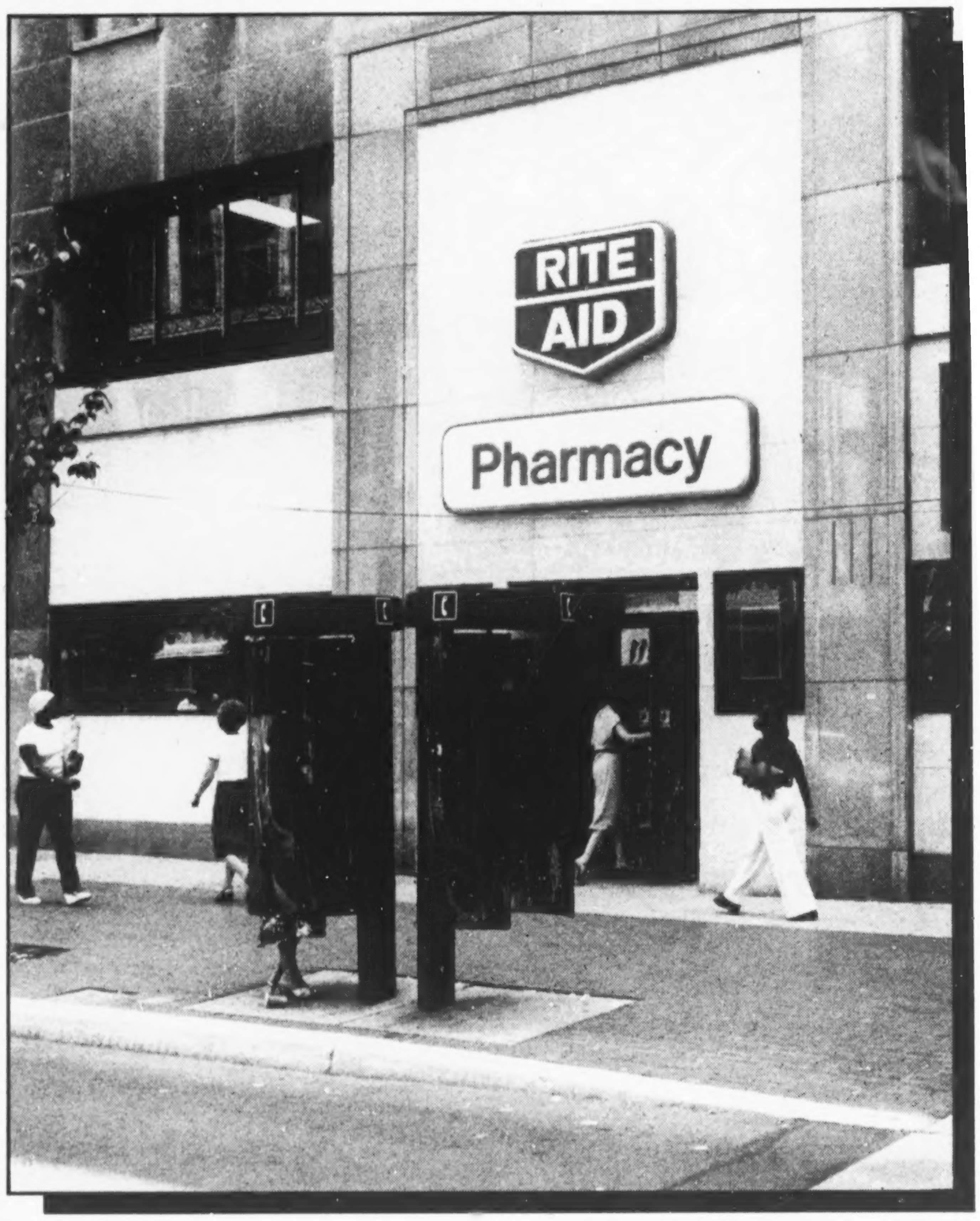
(in millions)
Source: Company Reports

Rite Aid five-year earnings



Earnings in millions
*Includes $12 million extraordinary gain
Source: Company reports

Last year Rite Aid turned its sights on Michigan, a natural extension for the Shiremanstown, Pa., based chain, given its strong presence in northern Ohio. Moreover, Michigan offers strong growth opportunities for Rite Aid because of the large number of small independents that operate bantam-size stores.



Rite Aid established a beachhead in Michigan in early summer when the chain purchased the 24-unit Muir Drugs. It moved quickly sweeping up the Herrlich, Lippert and Remes chains. By the end of February 1985, Rite Aid was operating nearly 70 stores in Michigan.

In addition to Michigan, Rite Aid has targeted Georgia for expansion. In fact, a high percentage of the chain's 130 planned new openings next year will be in those two states.

Expanding technology

Rite Aid is also moving fast on the technology front. The chain introduced point-of-sale scanning devices in a number of stores and plans to have scanning systems operating chainwide by 1988.

The booming video-cassette market prompted Rite Aid to enter the video rental business last year. After testing video tapes in several stores in the Philadelphia area, Rite Aid rolled the rental departments out to other markets. The chain plans to have as many as 600 video departments up and running during fiscal 1986.

The only major disappointment for Rite Aid's drug store division last year was the unsuccessful attempt to acquire the 312-unit Hook Drug chain. The unfriendly offer touched off a brief bidding war that ended with the Kroger Co. acquiring Hook.

Auto sales strong

Rite Aid's chain of ADAP auto parts stores turned in a strong performance last year. Rite Aid moved aggressively to expand ADAP as promised a year ago when it acquired the company. Twenty more ADAP stores were added during the year bringing its total store count to 32.

Rite Aid plans to open 30 to 35 new ADAP stores during fiscal 1986. The parent company also beefed up the management of its $40 million auto parts chain. Frank Corella, a former vp of merchandising at SupeRx Drugs, was reassigned to ADAP after joining Rite Aid last fall.

The results were not as encouraging with Rite Aid's 191-unit Circus World chain. Company officials acknowledged that sales from the toy chain did not meet expectations during the all-important third quarter.

RITE AID
Rehabilitation
Home Health Care

Ailing Gray moves to reverse decline

CLEVELAND — Despite a promising start, 1984 turned out to be Gray Drug Fair's worst year since its acquisition by Sherwin-Williams in 1981.

After a relatively strong first two quarters when operating profits reached $8 million on a sales rise of 11%, the division went into a nose dive and finished up the year with operating profits declining 99% to a mere $82,000.

Sherwin-Williams chairman, president and ceo John G. Breen called the division's performance "disappointing" and blamed it on the company's "inability to maintain margins."

"Problems continued to plague us in 1981," he said. "Poor inventory management, inefficient operations at the distribution centers, poor gross margins due to lack of merchandising skills and shortages that affected service levels and, therefore, margins. We also had problems balancing our gross margins, sales and inventory."

Breen also conceded to security analysts that Sherwin-Williams had overestimated its ability to "turn the company around" when it first acquired Gray Drug Fair.

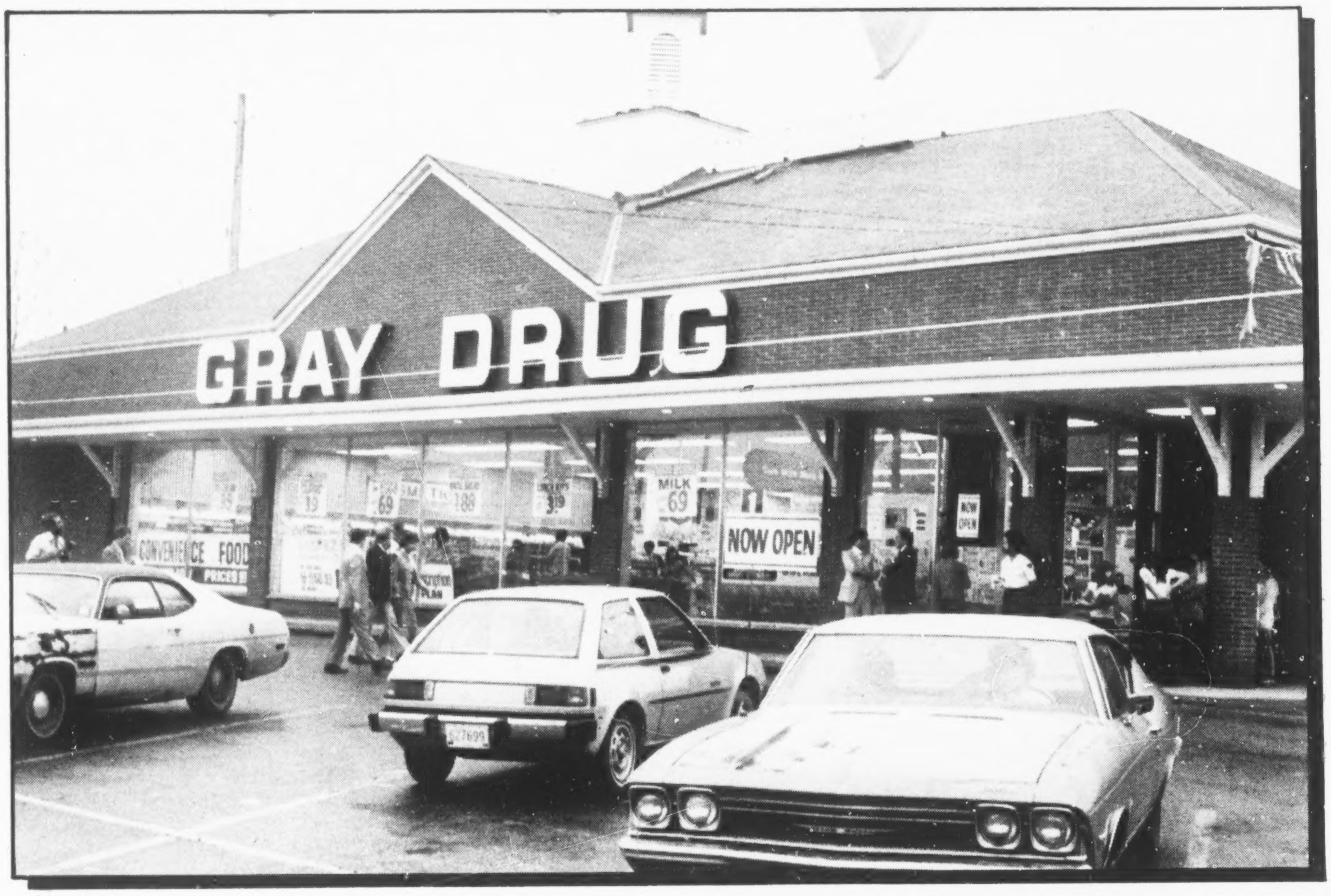
However, Breen also said the drug chain's record to date is not dissimilar to the Paint Store Division's experience during the early part of its turnaround.

Back in 1978, the paint stores lost more than $14 million. Last year, they generated $55.8 million in operating income.

The paint stores currently account for nearly 41% of Sherwin's sales and the drug stores, 30%. The paint stores, however, account for 39% of Sherwin's operating income, while the drug stores account for just 0.1%.

In the past year and a half, Sherwin Williams has tried to improve the situation by downsizing most of the larger Washington D.C./Maryland/Virginia-based Drug Fair stores while simultaneously trying to sharpen their competitive pricing.

The company has also worked hard to improve the stores' chronic out-of-stock problems and to improve its advertising campaigns by locking into more of the "exciting new national brands that come along."



In the beginning of the year, some of the remedies seemed to be working, but in the third quarter, there was an operating loss of $1.1 million. Shortly after that, Mac Allen Culver, who had been recruited to head the division just six months before, resigned to return to his home in the Pacific Northwest and a job with Pay 'n Save, leaving the 423-unit chain rudderless again.

New turnaround plan

Breen almost immediately appointed Carl A. Bellini president and general manager of Gray. He was formerly group vp for Gray and for the paint store division.

Breen also announced a new strategic turnaround plan for 1985. To improve its control over inventory, Gray will now count its inventory three times a year instead of two. The company will also mechanize its Alexandria, Va., distribution center, which services the Drug Fair stores. It will also open a new 150,000-sq.-ft. distribution center in Florida later this year to service Gray stores in that state.

Also in 1985, Gray will test POS installations in 25 stores and will install pharmacy computer stand-alone terminals in at least 100 stores. Gray had been using on-line computers in about 100 stores, but after a test, the stand-alones seemed to promise a more efficient and less costly service.

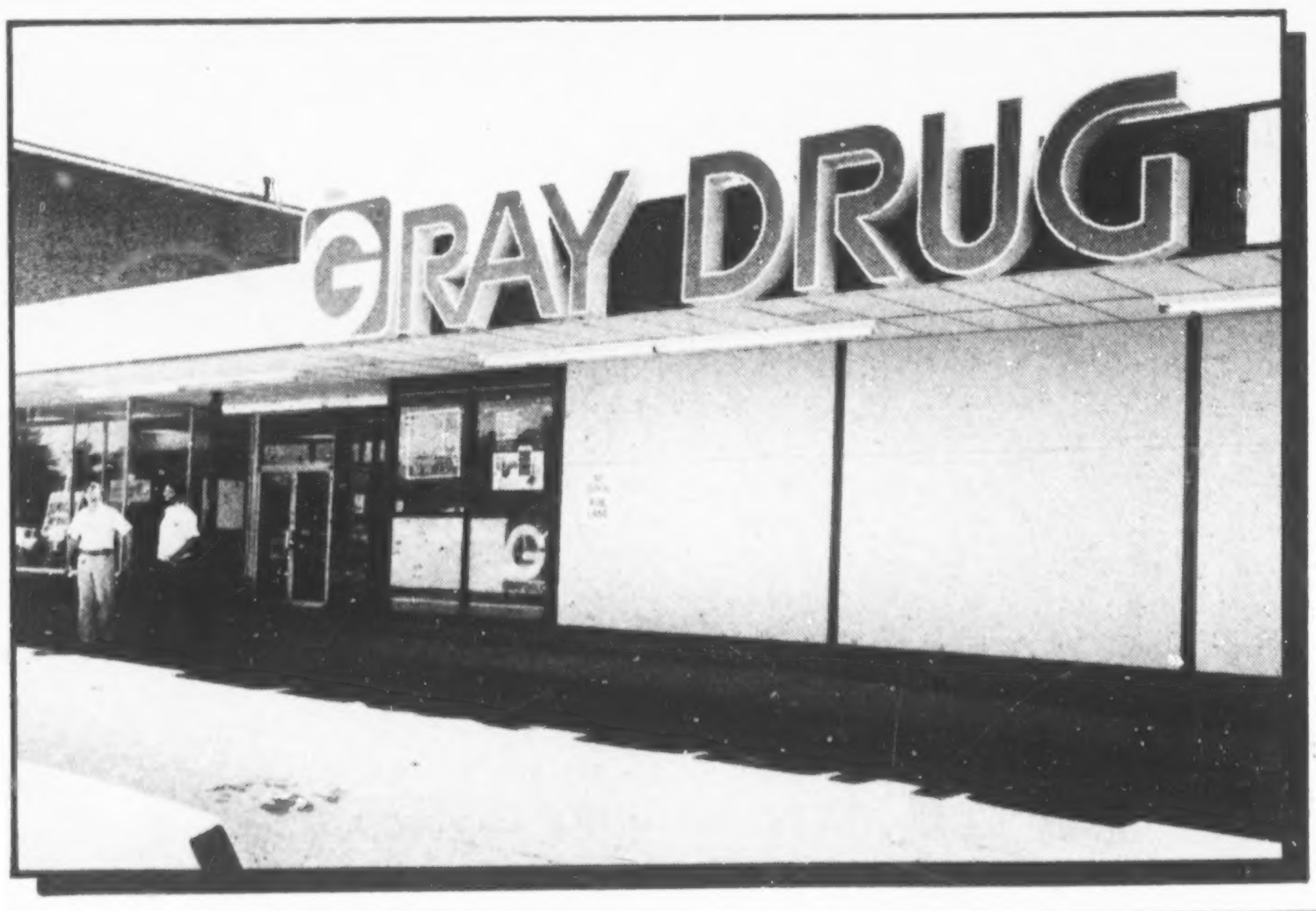
Gray also announced plans to open 45 new stores in 1985 while remodeling another 40. Ten more Drug Fair stores in the Atlantic region will also be downsized.

In 1984, Breen said, Gray downsized a total of 57 Drug Fair stores, taking them from an average of 18,000 to 25,000 sq. ft. to 12,000 to 14,000 sq. ft.

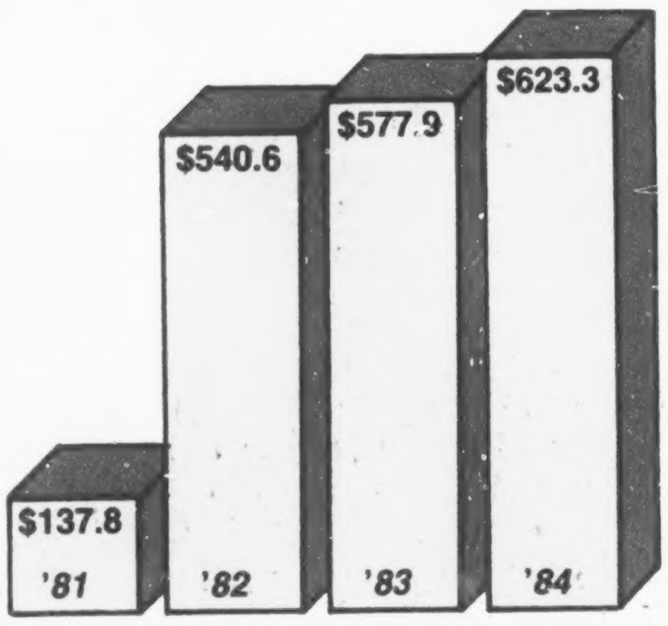
To build sales, the chain also plans to increase its number of circulars by 28% in 1985. There are also plans to promote more items per circular and to ensure that there are more of the "better branded items" included in the ads.

Jim Mastrian, vp of marketing, was also said to be sending a team of merchandisers into the field to help restock and replanogram stores so they could accommodate expanded sku's in select lines.

Shrinkage was also under attack, and one security analyst who follows the company, said that for their more recent quarters, shrinkage did seem to be improving. For one period, he said, it had been reduced from a high range of between 5% and 6% of sales to between 3% and 4%.

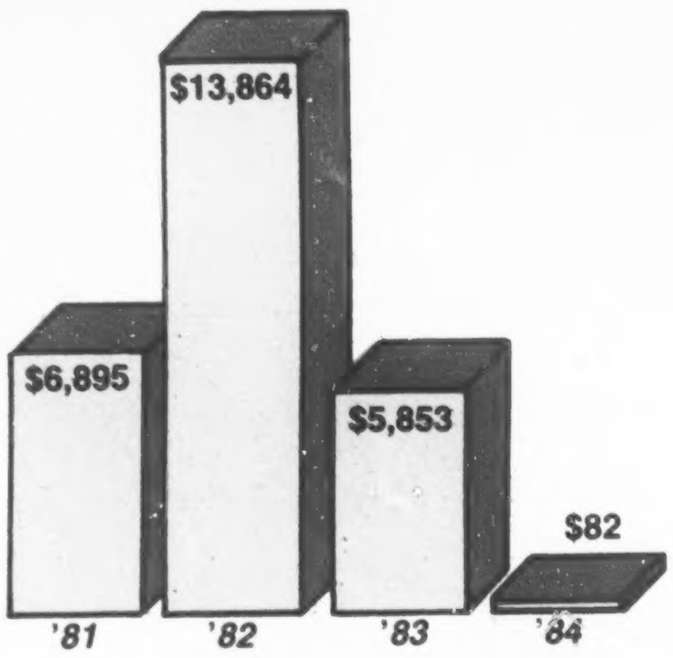


Gray Drug Fair sales trends



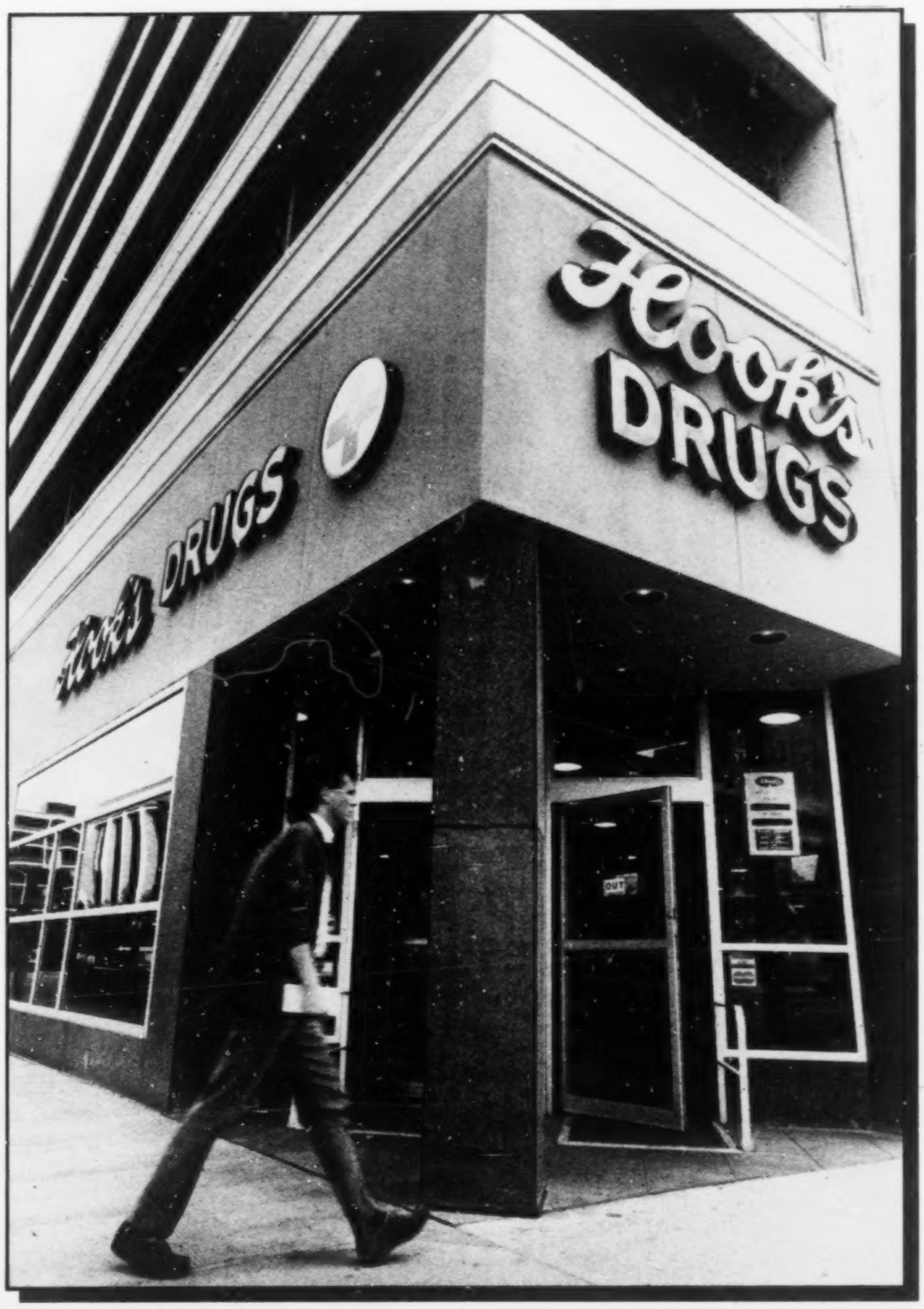
Sales in millions
Source: Company reports

Gray Drug Fair profits plunge



Operating profits in thousands
Source: Company reports

Kroger/Hook sale seen as 'good fit'



INDIANAPOLIS — Nineteen eighty-four was the last complete year of independent ownership for the 85-year-old Hook Drug store chain.

In February 1985, the Kroger Company acquired Hook Drugs Inc. in a friendly takeover. The cash and stock transaction was valued at approximately $161 million.

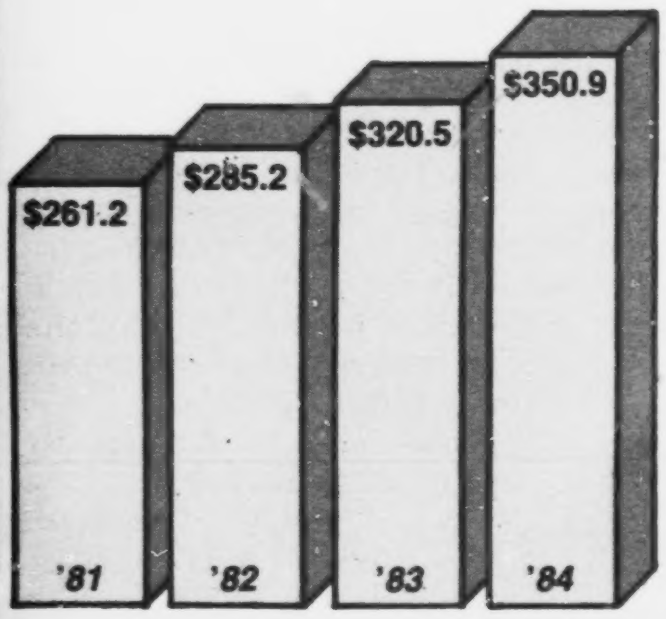
The chain will retain its Hook's name and will operate separately from Kroger's other drug chain, SupeRx.

Industry officials and analysts felt it was a good merger. "It's a good fit from both points of view," said Elizabeth Shiels, an analyst with Hilliard Lyons. "Kroger dominates the food business in Indiana, and Hook dominates the retail drug business."

Hook currently operates 298 drug stores and 14 convalescent aids centers in Indiana, Illinois, Kentucky and Ohio.

The year started out weak for Hook's. "We definitely had our problems," says a Hook's spokesman. "We entered 1984 with the supposition that our sales would be at a 12% growth figure, rather than the actual 10%, and it took us the better part of the year to get our costs in line."

Hook's sales top $350 million



Sales in millions
Source: Company reports

Hook's closed the third quarter of 1984 with net income down approximately 18%.

The spokesman said that the fourth quarter was the "highlight of the year for us." With costs in line, the quarter saw an income increase of 13.5% to $3.5 million, with sales climbing almost 10% to $87.8 million.

According to Hook's, that momentum continued through the first quarter of 1985, with sales growing at a 10% rate and same-store sales at 8%.

Fiscal year 1984 ended with Hook's showing total sales of $350.9 million, a 9.5% increase over 1983's $320.5 million.

However, net earnings slipped to $8.1 million, a 6.7% decrease from the $8.7 million the company registered in 1983.

Highest gross margins

Hook, which has gained a reputation for its consistently high gross margins, registered 34% in that area for 1984, making it the highest among all chains.

The company's return on investment for 1984 was 17.2%, down from 1983's 20.3%.

Sales per store increased slightly in 1984 to $1.2 million with sales per square foot of $170, up from $163 last year.

During 1984, Hook's opened 16 new drug stores and four new Convalescent Aids Centers.

The chain continued computerizing its pharmacies at a rate of six per month during 1984, ending the year with 158 installations completed. According to officials, that same schedule of six per month will be followed during 1985.

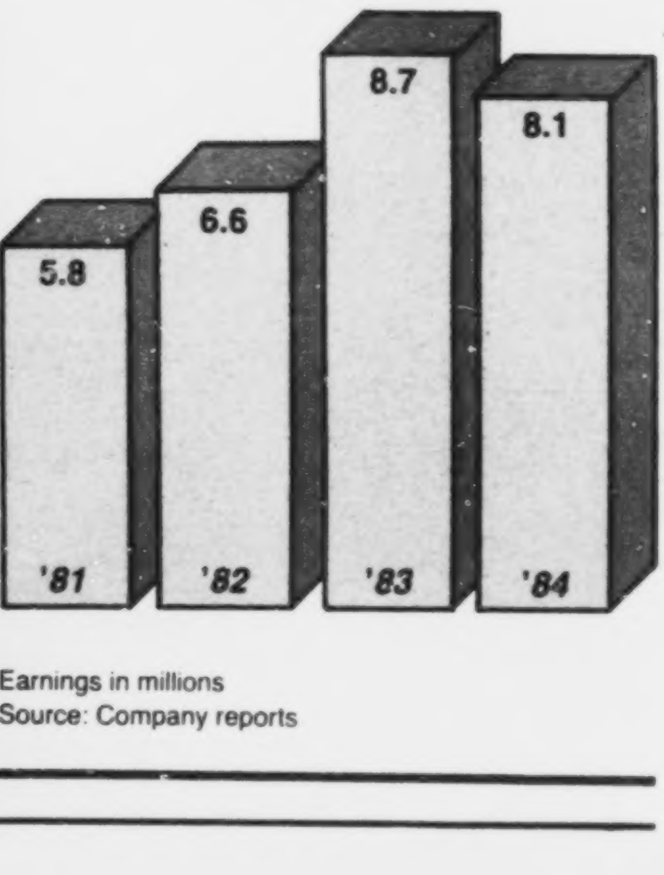
In 1984, the company began a program where the stand-alone pharmacy computers are able to communicate with the headquarters mainframe but remain independent with their own program. "They are not on line," says an official. "They can only communicate with each other to get third-party information. All script and family information is kept in the store's computer." At year's end, 84 pharmacy computers had this communicative capability.

More than 10 million prescriptions were filled last year by the chain's pharmacists, accounting for $123 million in sales, or 35% of total retail sales.

The pharmacy, a department that officials call the core of Hook's business, is featured quite heavily in the chain's electronic advertising efforts. In-store promotions are also heavily slanted toward the pharmacy.

Hook's wholly owned photo processing operation, H. Leiber, was moved to new upscale facilities during the year. That move gave the service enough capacity to handle the photo developing needs of all Hook's stores.

Hook's net income drops in fiscal 1984



Earnings in millions
Source: Company reports

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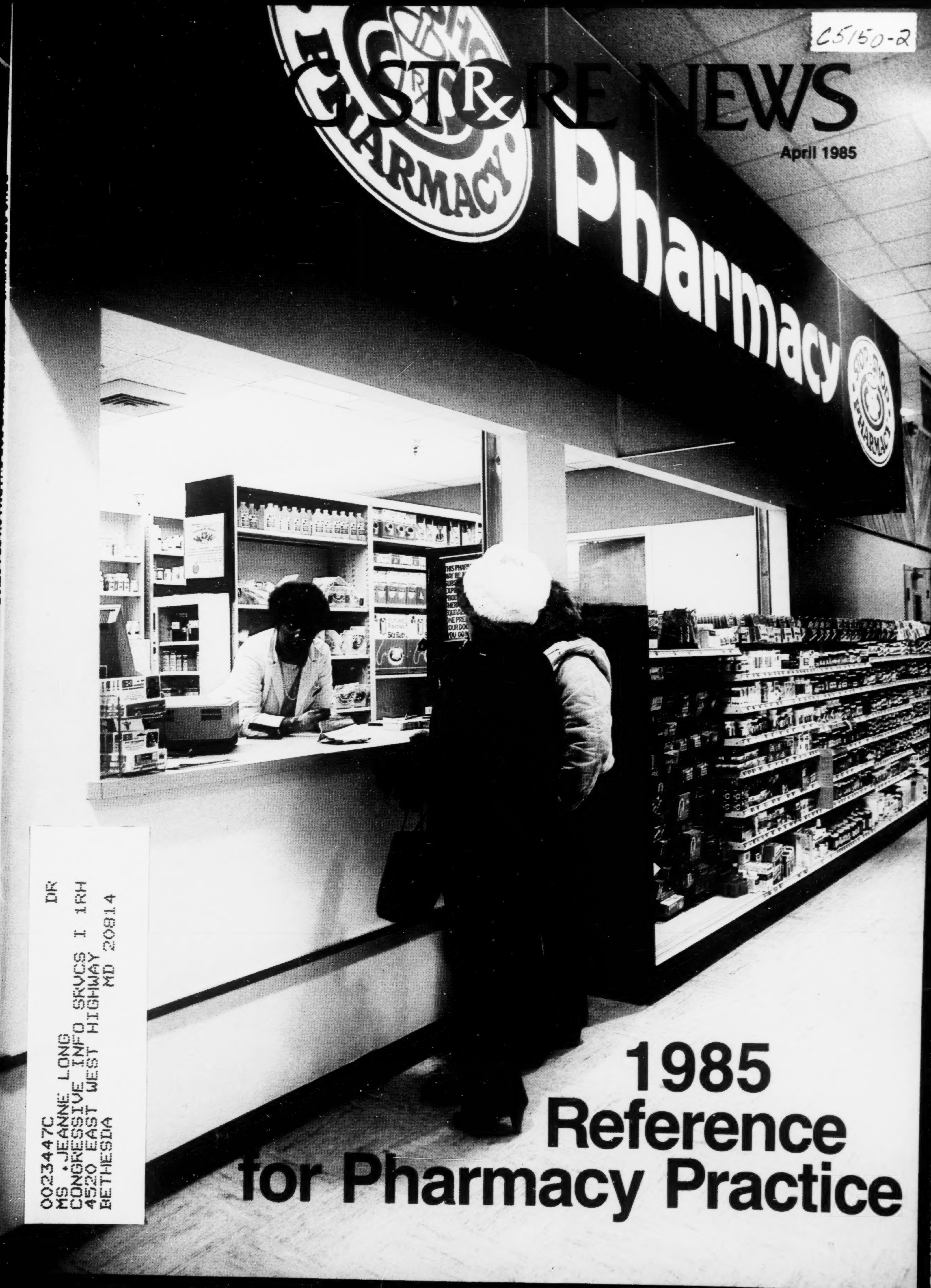
April 1985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MS .JEANNE LONG
CONGRESSIVE INFO SRVCS I 1RH
4520 EAST WEST HIGHWAY
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1985 Reference for Pharmacy Practice

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Vol. 7, No. 8

April 1985

Top 200 Ranked by Manufacturer

	Number Of Rxs	$ Volume	$ Margin
ABBOTT			
Desoxyn oral tabs	—	—	179
E.E.S. Liquid 200mg	145	—	145
E.E.S. 400 filmtabs	22	36	13
Erythrocin tabs 250mg	118	—	120
Enduron tabs 5mg	163	—	177
K tabs 750mg	78	124	77
Pediazole susp	165	167	148
Tranxene caps 3.75mg	121	134	107
Tranxene caps 7.5mg	53	43	50
ARMOUR			
Thyroid tab 1gr	128	—	194
AYERST			
Atromid S caps 500mg	—	196	—
Inderal tabs 10mg	24	38	37
Inderal tabs 20mg	15	21	23
Inderal tabs 40mg	13	12	21
Inderal tabs 80mg	149	59	166
Inderal caps LA 80mg	186	125	146
Inderide 40-25 tabs	178	131	161
Premarin tabs 0.3mg	187	—	192
Premarin tabs 1.25mg	39	53	56
Premarin vaginal cream	—	—	189
BD			
Insulin Lo-Dose syringes U100	110	128	195
BEECHAM LABS			
Amoxil caps 250mg	30	87	38
Amoxil caps 500mg	86	116	95
Amoxil susp 125mg/5ml 100ml	36	142	48
Amoxil susp 250mg/5ml 200ml	26	63	32
Fastin caps 30mg	—	—	190
BERLEX			
Quinaglute duratabs	200	69	162
BOEHRINGER INGELHEIM LTD			
Alupent inhaler refill	—	—	180
Alupent syrup	195	—	186
Catapres tabs 0.1mg	99	91	92
Catapres tabs 0.2mg	182	95	157
Persantine tabs 25mg	90	78	97
Persantine tabs 50mg	106	56	91
Persantine tabs 75mg	183	76	130
BOOTS PHARMACEUTICALS			
Rufen tabs 400mg	69	129	73
Rufen tabs 600mg	130	181	121
BRISTOL			
Naldecon Pediatric syrup	191	—	178
Naldecon tabs	132	140	110
BURROUGHS WELLCOME CO.			
Cortisporin Otic susp	169	—	160
Empirin tabs w/codeine #3	66	170	61
Lanoxin tabs 0.125mg	8	79	12
Lanoxin tabs 0.25mg	7	74	14
Septra DS tabs	51	60	41
Septra susp	135	—	114
Zovirax oint 5%	—	192	—
Zyloprim tabs 100mg	179	—	—
Zyloprim tabs 300mg	94	67	112
CIBA PHARMACEUTICAL CO.			
Ser-Ap-Es tabs	148	137	164
Slow K tabs	9	19	7
Transderm Nitro 5mg	103	30	74
Transderm Nitro 10mg	—	103	—
DISTA PRODUCTS			
Keflex caps 250mg	16	13	9
Keflex caps 500mg	35	10	15
Nalfon tabs 600mg	109	61	94
ENDO LABS INC.			
Coumadin 5mg tabs	120	164	128
Percodan tabs	62	88	42
Percocet-5 tabs	138	153	103
FLINT			
Synthroid tabs 0.1mg	46	136	62
Synthroid tabs 0.15mg	123	—	142
Synthroid tabs 0.2mg	139	—	159
GEIGY			
Brethine tabs 2.5mg	192	—	176
Lopressor tabs 50mg	18	18	25
Lopressor tabs 100mg	74	28	90
Tegretol tabs 200mg	104	44	84
GENERIC			
Acetaminophen w/ codeine 30mg	119	—	136
Hydrochlorothiazide 50mg tabs	50	—	63
Penicillin VK 250mg	166	—	187
Tetracycline caps 250mg	160	—	—
GLAXO INC.			
Zantac tabs 150mg	23	4	11
Ventolin inhaler refill	59	75	53
HOECHST-ROUSSELL			
Lasix tabs 20mg	43	133	55
Lasix tabs 40mg	6	20	6
IVES LABORATORIES			
Isordil titradose 10mg	153	179	169
Synalgos DC caps	83	156	64
JANSSEN			
Imodium caps 2mg	184	182	147
KEY PHARMACEUTICALS			
Nitrodur patch 10cm	180	73	154
Theo-Dur tabs 200mg	48	70	46
Theo-Dur tabs 300mg	32	39	35
KNOLL			
Isoptin tabs 80mg	—	175	—
Vicodin tabs	37	81	28
LEDERLE LABS			
Achromycin V caps 250mg	80	—	93
Materna tabs	168	—	182
Minocin caps 50mg	—	166	—
Minocin caps 100mg	—	112	—
ELI LILLY & CO.			
Ceclor pulvules 250mg	100	45	68
Ceclor susp 250mg/5ml 75ml	—	155	—
Darvocet-N 100mg tabs	5	6	3
Darvon compound 65mg	152	194	135
Insulin Lente U100	137	149	—

Top 200 Ranked by Manufacturer

	Number Of Rxs	$ Volume	$ Margin
Insulin NPH U100	41	55	116
Phenobarbital tabs 30mg	199	—	—
MARION LABORATORIES INC.			
Carafate tabs 1gm	—	104	193
Cardizem tabs 30mg	117	57	105
Cardizem tabs 60mg	170	46	131
Nitrobid caps 6.5mg	—	177	—
McNEIL PHARMACEUTICALS			
Haldol tabs 1mg	—	199	—
Parafon Forte tabs	91	77	60
Tolectin DS caps 400mg	105	40	75
Tylenol tabs w/codeine #3	2	15	2
Tylenol tabs w/codeine #4	61	92	44
Tylox caps	177	—	118
MEAD JOHNSON PHARM.			
Desyrel tabs 50mg	131	106	101
Duricef caps 500mg	156	89	106
K-Lyte tabs orange	154	126	141
Klotrix tabs 10mEq	143	198	143
MERRELL-DOW			
Nicorette gum	52	37	43
Quinamm tabs	—	—	191
Tenuate Dospan 75mg	—	195	165
MERCK SHARPE & DOHME			
Aldomet 250mg tabs	10	11	17
Aldomet 500mg tabs	102	35	117
Aldoril 25mg tabs	71	48	88
Clinoril tabs 150mg	144	58	140
Clinoril tabs 200mg	57	16	47
Dolobid tabs 500mg	122	65	—
Elavil tabs 25mg	162	—	158
Flexeril tabs 10mg	45	31	33
Hydrodiuril tabs 50mg	70	165	99
Indocin caps 25mg	60	41	67
Indocin caps 50mg	—	118	196
Indocin SR caps 75mg	140	62	109
Moduretic tabs 5/50	49	47	49
Sinemet 10/100	—	189	—
Sinemet 25/100	—	176	—
Sinemet 25/250	—	135	—
Timoptic 0.25% opth	151	109	183
Timoptic 0.5% opth	40	22	40
Triavil tabs 2-25	190	114	174
NORWICH-EATON			
Entex LA tabs	85	160	85
Macrodantin caps 50mg	133	138	108
ORTHO PHARMACEUTICAL			
Monistat-7 vaginal cream	27	34	24
Ortho Novum tabs 1/35-21s	72	105	—
Ortho Novum tabs 1/35-28s	58	83	—
Ortho Novum 1/50-21s	55	85	—
Ortho Novum 1/50-28s	92	130	—
Ortho Novum tabs 7-7-7 28s	198	—	—
Ortho Novum tabs 10/11 28s	172	85	—
PARKE DAVIS			
Amcill caps 250mg	173	—	188
Benadryl caps 25mg	89	—	96
Benadryl caps 50mg	124	—	111
Benadryl elixir	158	—	156
Dilantin caps 100mg	12	26	20
Eryc caps 250mg	63	107	52

	Number Of Rxs	$ Volume	$ Margin
Lopid caps 300mg	—	186	—
Meclomen caps 100mg	—	147	—
Nitrostat tabs 0.4mg	64	—	115
Procan SR tabs 500mg	—	93	163
PENNWALT			
Ionamine-30 caps	—	—	175
PFIZER LABS			
Diabinese tabs 250mg	19	9	31
Feldene 20mg caps	14	3	10
Minipress caps 1mg	67	68	69
Minipress caps 2mg	142	86	132
Minipress caps 5mg	—	143	—
Procardia caps 10mg	21	8	19
Vibramycin caps 100mg	196	108	153
Vibra-Tabs 100mg	189	111	144
RIKER			
Norgesic Forte tabs	174	146	—
A. H. ROBINS			
Dimetapp elixir	44	159	45
Dimetapp extabs	54	101	54
Donnatal tabs	113	—	122
Micro-K caps 8 mEq	31	66	30
Phenaphen w/ codeine #3	164	—	150
Quinidex extentabs	—	121	—
Reglan tabs 10mg	79	49	58
Robaxin tabs 750mg	—	—	199
ROCHE			
Accutane caps 40mg	—	84	—
Bactrim DS tabs	38	42	29
Dalmane caps 15mg	96	157	83
Dalmane caps 30mg	29	54	27
Limbitrol 10/25 caps	—	185	—
Librax caps	93	80	102
Librium caps 10mg	157	168	170
Valium tabs 2mg	68	110	82
Valium tabs 5mg	4	5	5
Valium tabs 10mg	42	24	39
ROERIG			
Antivert tabs 12.5mg	197	—	—
Antivert tabs 25mg	155	169	149
Atarax tabs 25mg	—	190	—
Geocillin tablets	—	188	—
SANDOZ			
Fiorinal tabs	88	144	79
Fiorinal caps	—	—	185
Fiorinal tabs w/codeine 30mg	81	97	59
Hydergine oral tabs 1mg	—	99	173
Mellaril tabs 25mg	194	158	167
Parlodel tabs 2.5mg	—	163	—
Restoril caps 15mg	141	—	126
Restoril caps 30mg	76	120	65
Tavist-D tabs	150	180	127
SCHERING			
Lotrimin cream 1%	112	154	104
Proventil inhaler	56	72	51
Trinalin tabs	95	123	87
Valisone cream 0.1%	193	191	172
Vanceril inhaler	—	187	197
SEARLE LABS			
Aldactazide tabs 25/25	129	96	129
Calan tabs 80mg	—	127	168
Lomotil tabs 2.5mg	87	122	71
Norpace caps 100mg	—	174	—